

Workforce conditions & growth forecast issues

Presented to the
Consensus Economic Forecasting Commission
October 25, 2013

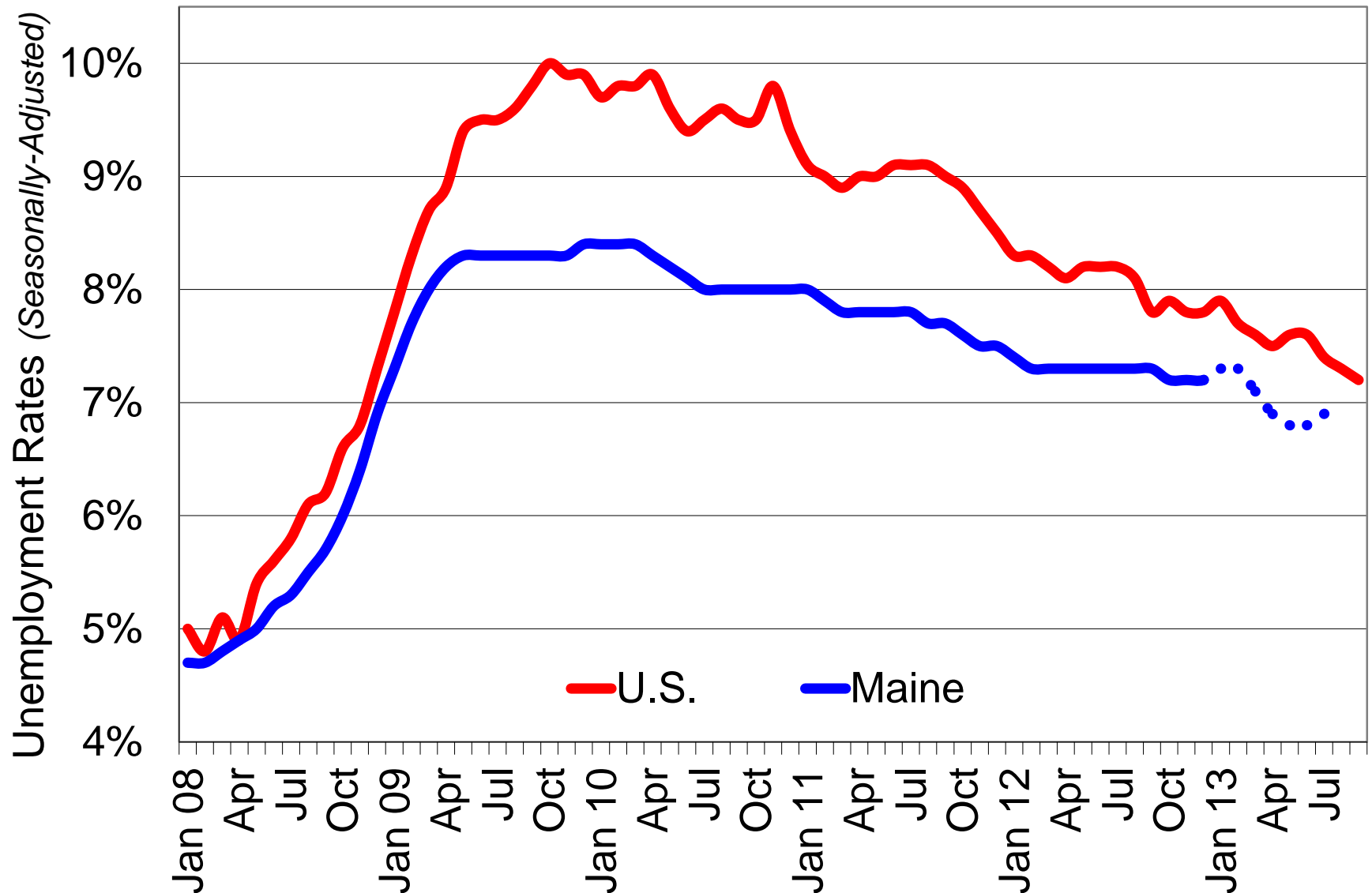
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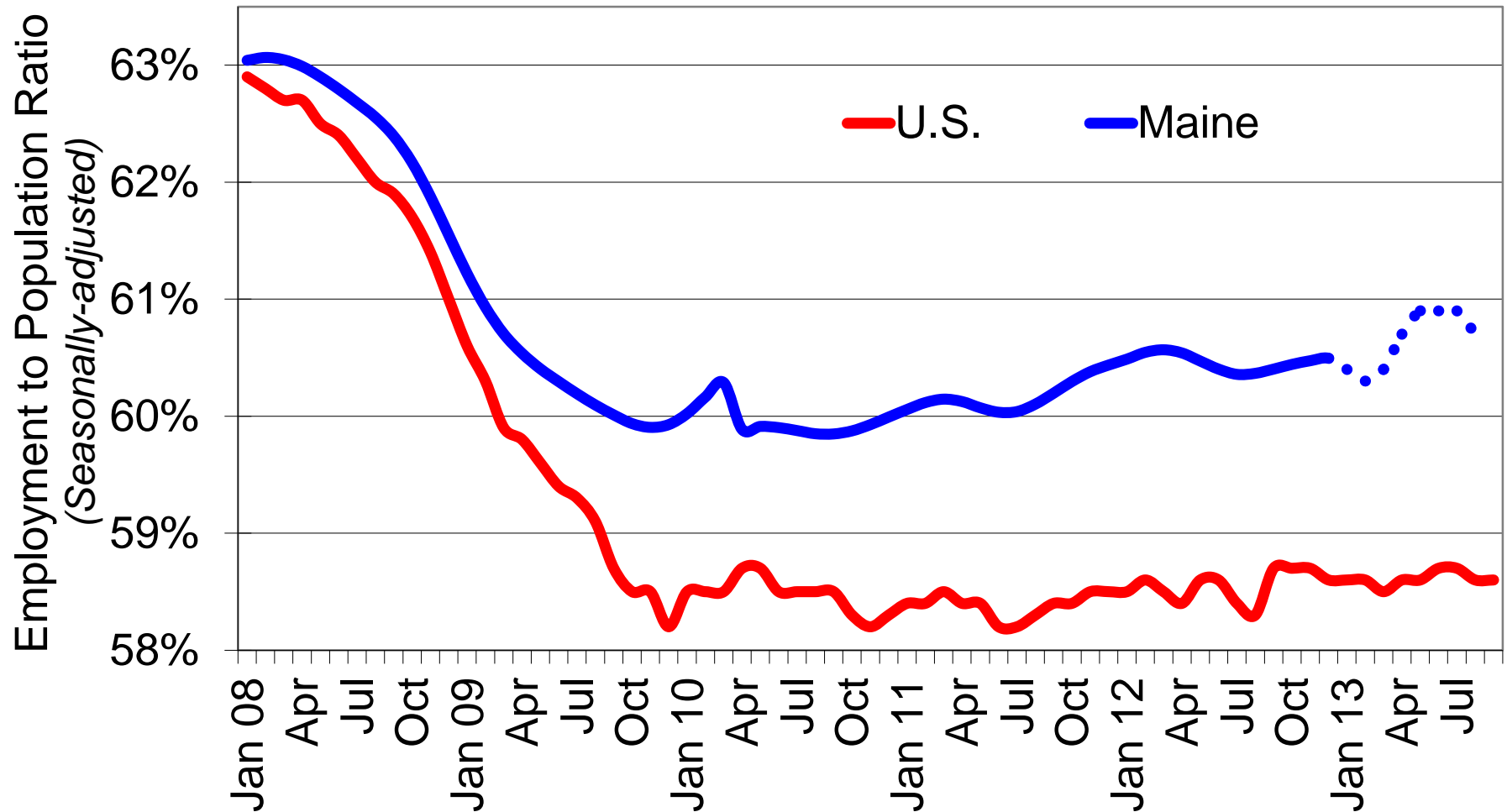
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Labor force & unemployment

The unemployment rate gap with the nation has closed over the last three years...

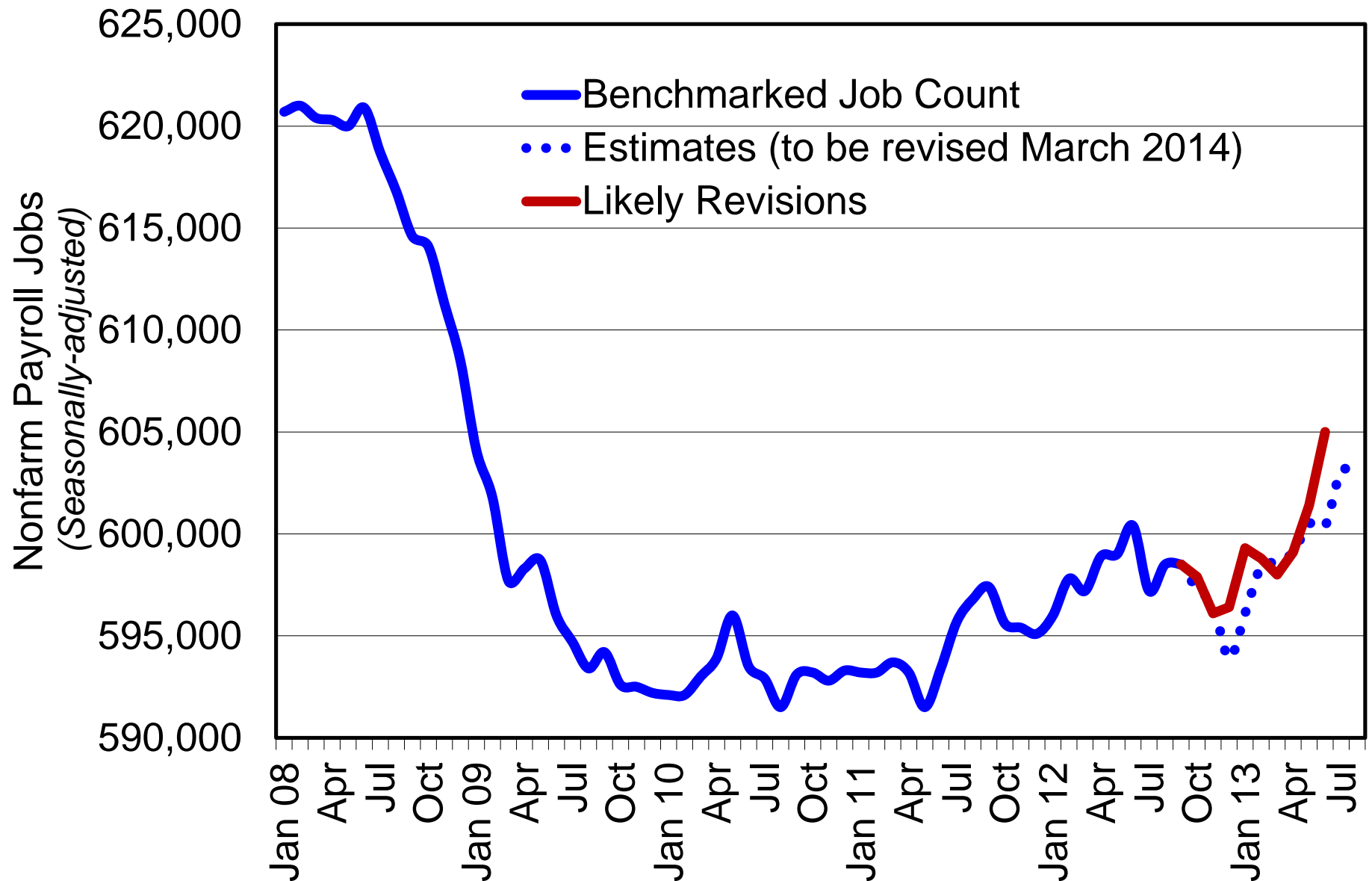


...Though the U.S. share of employed population remains flat while it's been rising in Maine. The national unemployment rate is down entirely due to lower labor force participation.

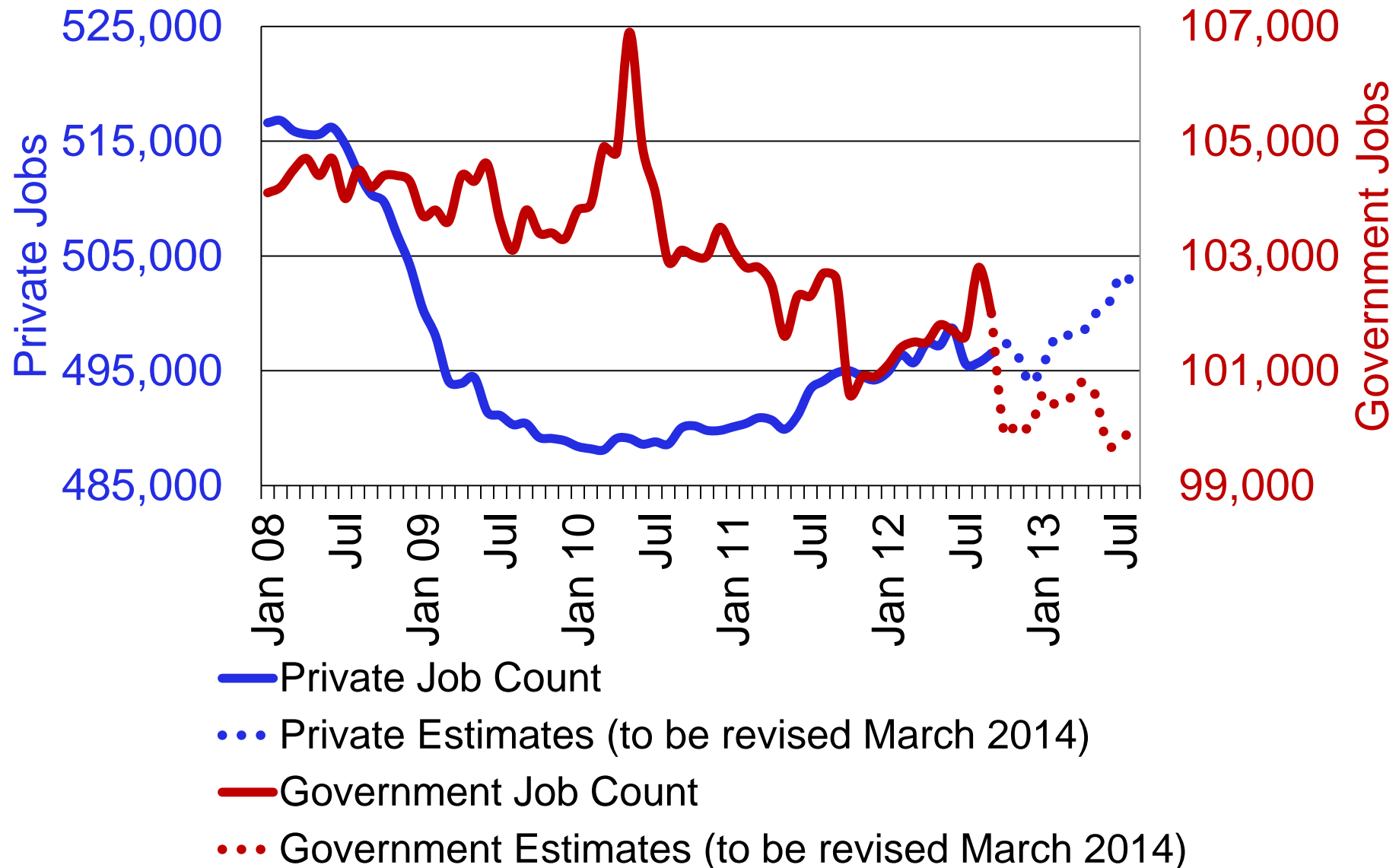


Jobs & Wages

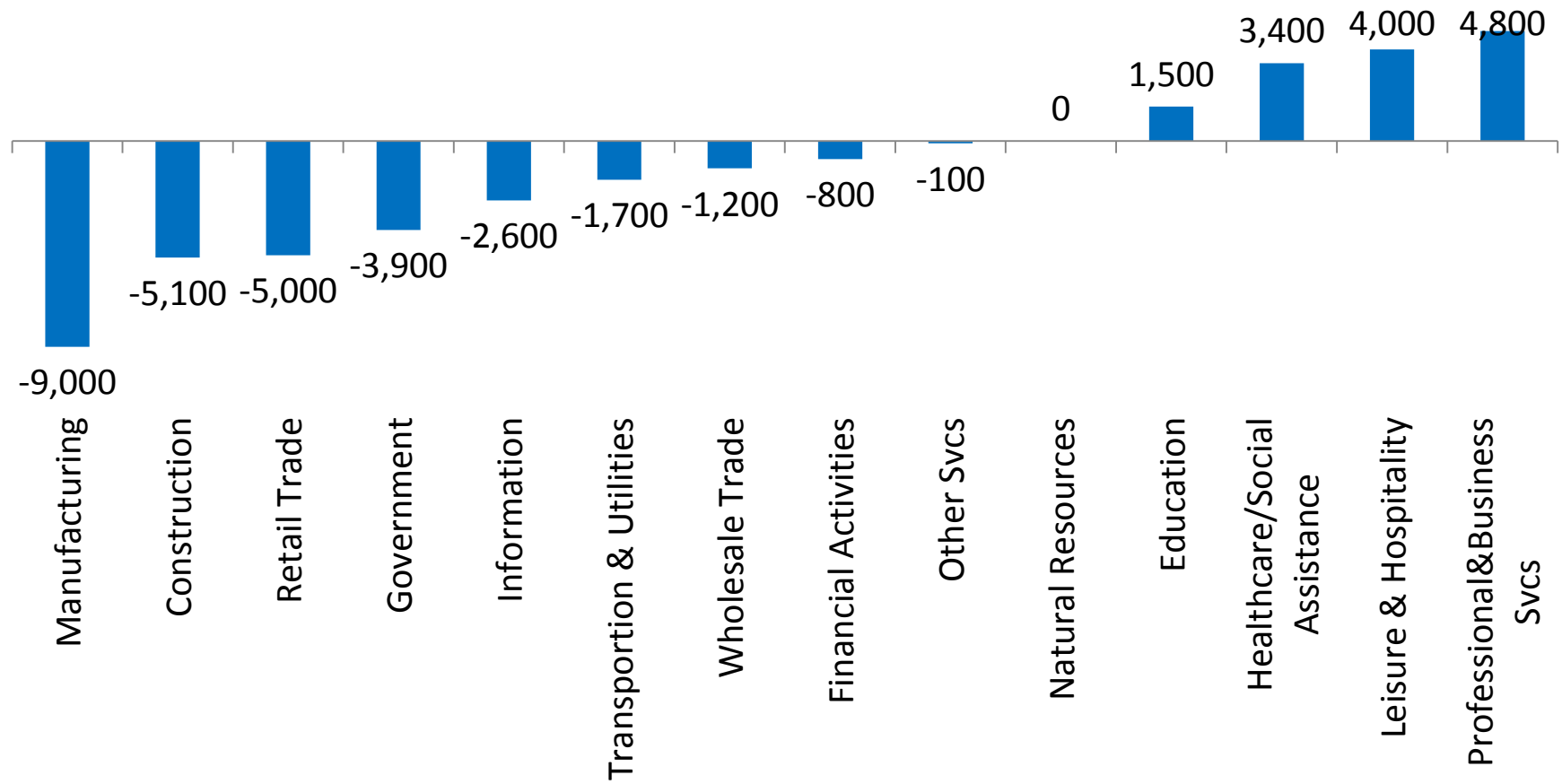
The gradual upward job trend continues...



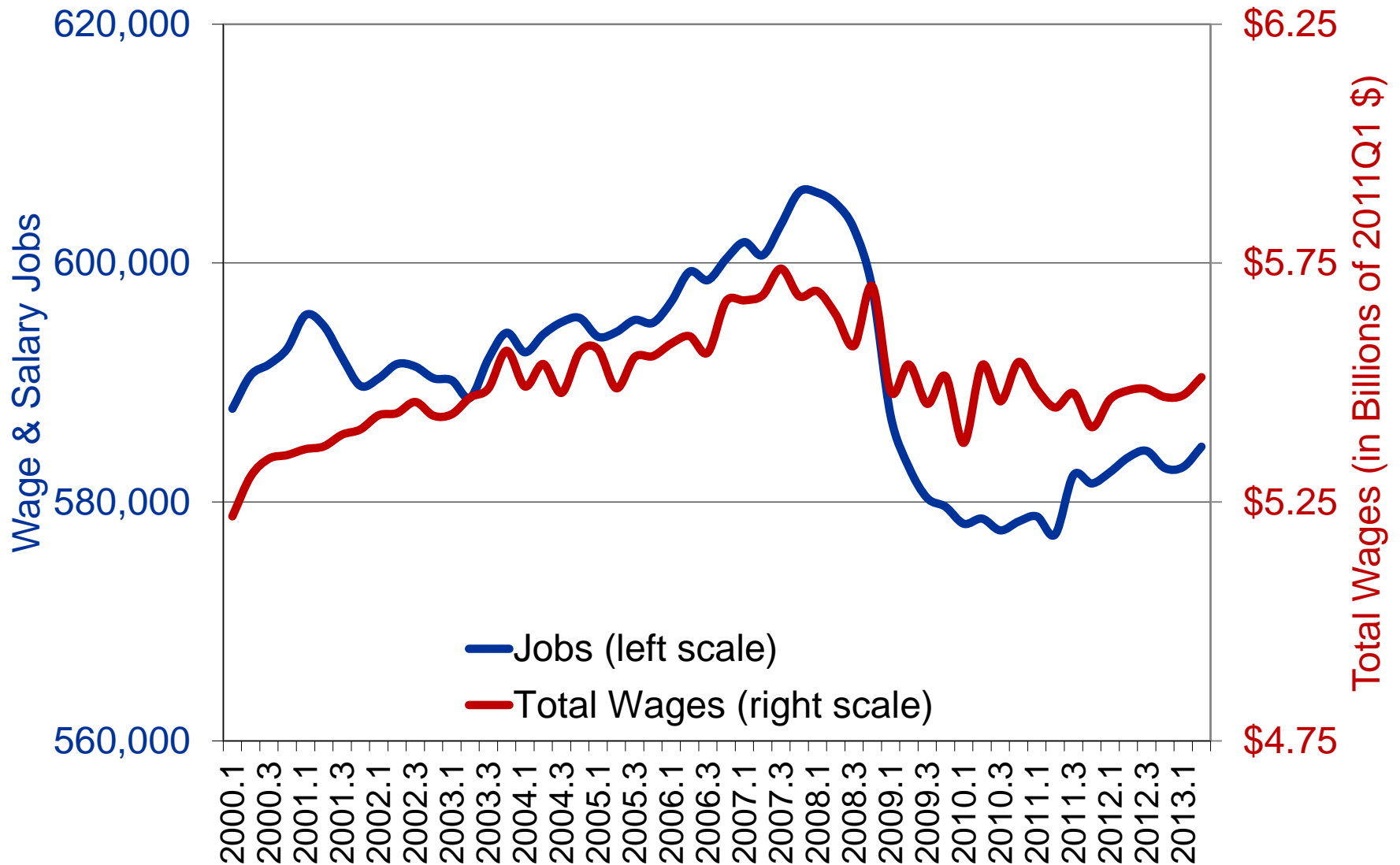
...government declines continue to partially offset private growth



Jobs in labor-intensive sectors involved in making, moving, or selling products are way down. Gains have primarily been in human capital intensive sectors. Many displaced workers do not have the education or experience to qualify for jobs in growing sectors. This mismatch between job seeker qualifications and needs of hiring employers is an impediment that should be considered when forecasting job growth. *(Change in jobs, Dec 2007 to present)*

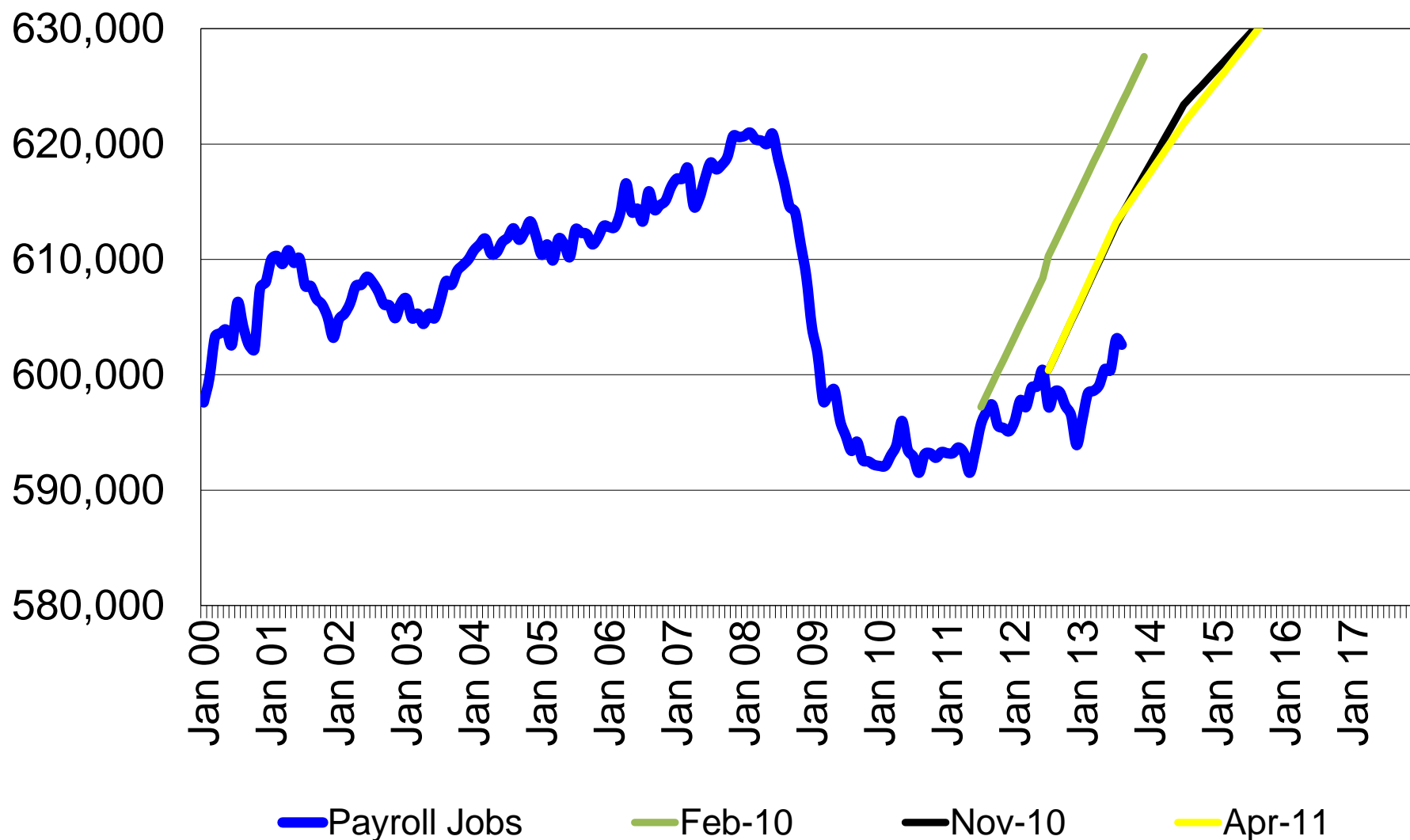


Total wages paid remain relatively flat *(adjusted for inflation)*



Moody's and Global Insight forecasts

CEFC forecasts in 2010 and early 2011 expected a return to pre-recession job levels by 2013 or 2014...



...Forecasts have become more moderate over time, the latest expecting a return to pre-recession job levels by 2017...

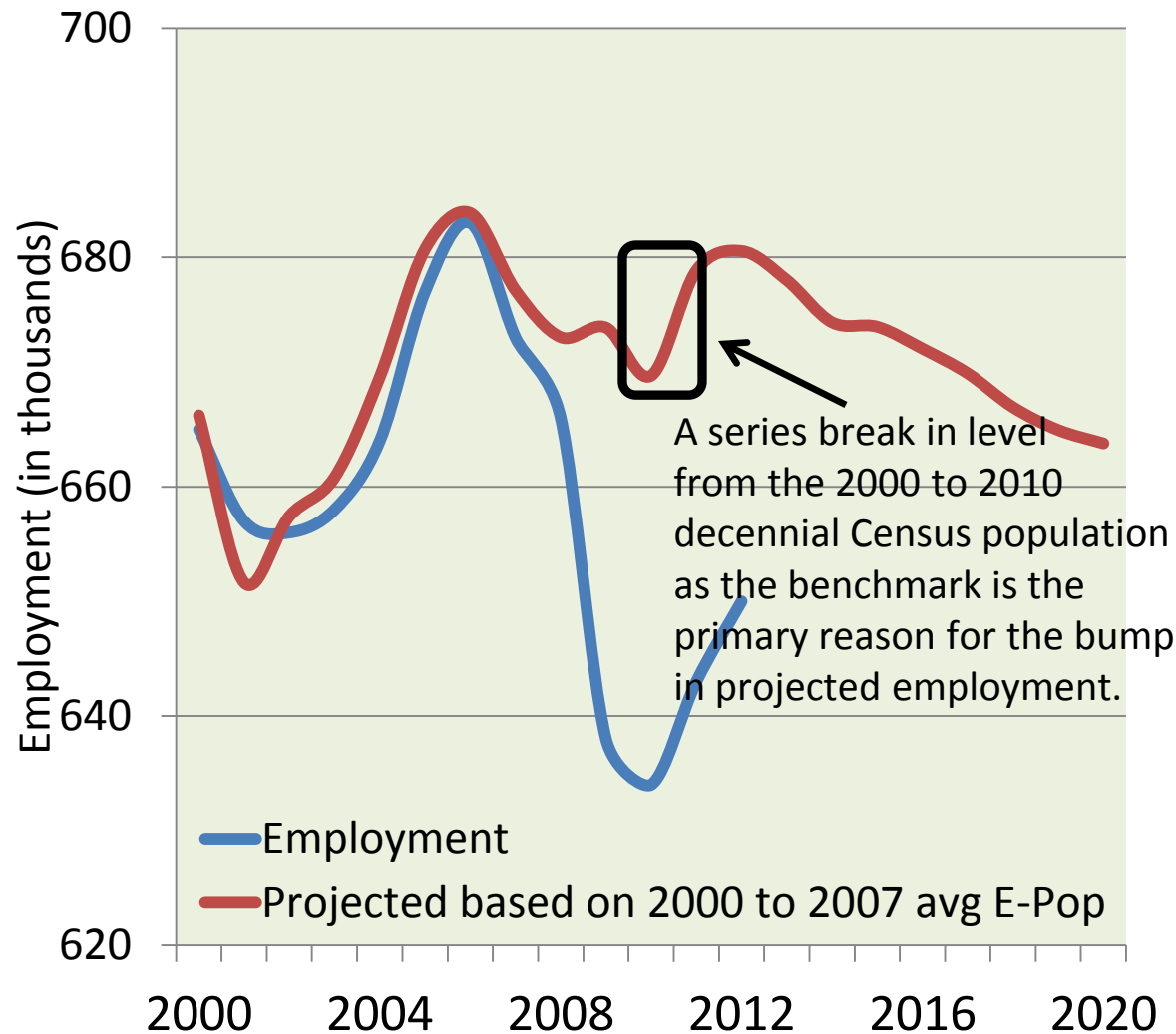


...The Moody's and Global Insight forecasts expect faster population growth than is realistic, pushing job/economic growth expectations too high

Population Forecasts

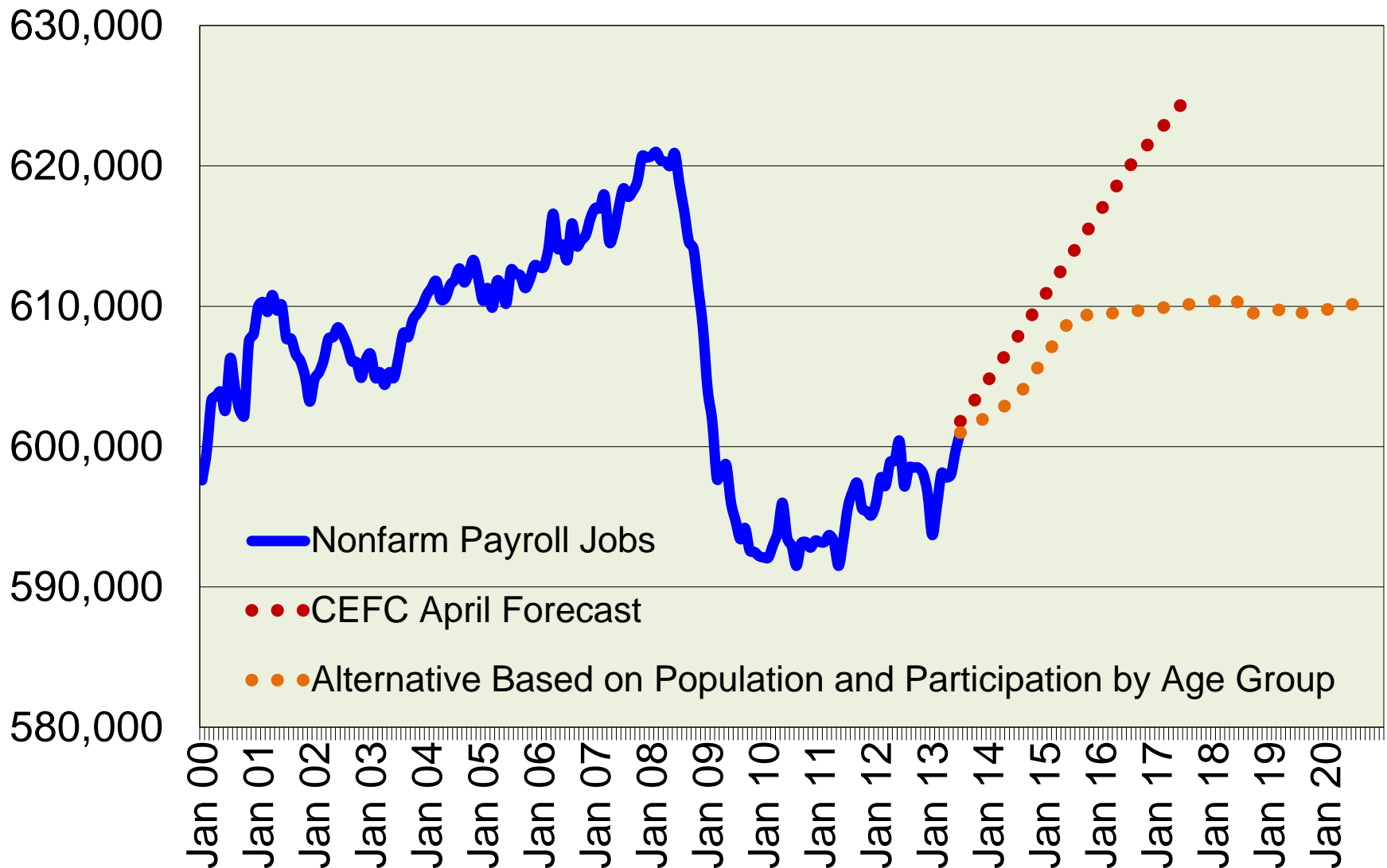
Year	Moody's Baseline Forecast		Global Insight October 2013 Forecast	Maine Office of Policy & Management Forecast	Forecast Difference Between OPM &:	
	October-12	October-13			Moody's Oct 2013	Global Insight Oct 2013
2013	1,335,730	1,330,921	1,330,000	1,329,402	1,518	598
2014	1,339,790	1,333,207	1,332,000	1,329,613	3,595	2,387
2015	1,343,630	1,335,535	1,334,000	1,329,823	5,711	4,177
2016	1,347,500	1,338,035	1,336,000	1,330,180	7,855	5,820
2017	1,351,140	1,340,394	1,339,000	1,330,537	9,857	8,463
2018	1,353,860	1,341,849		1,330,894	10,956	
2019	1,356,950	1,343,643		1,331,250	12,392	
2020	1,360,320	1,345,642		1,331,607	14,035	
2021	1,363,360	1,347,233		1,331,450	15,783	
2022	1,366,290	1,348,624		1,331,293	17,331	
2023		1,349,970		1,331,136	18,835	
2024		1,351,166		1,330,978	20,188	
2025		1,352,348		1,330,821	21,527	

OPM population forecasts combined with past employment to population ratios for age groups indicate employment would have peaked in 2007 without a recession



This finding is based on applying the average employment to population ratio that prevailed for each age group in the eight years before the downturn to the population in that cohort to estimate what employment would have been, other things equal. Once we have recovered to “full employment,” baby boomers aging out of the labor force will take employment lower. Absent significant in-migration of working-age population, we may not see 2007 levels of employment again.

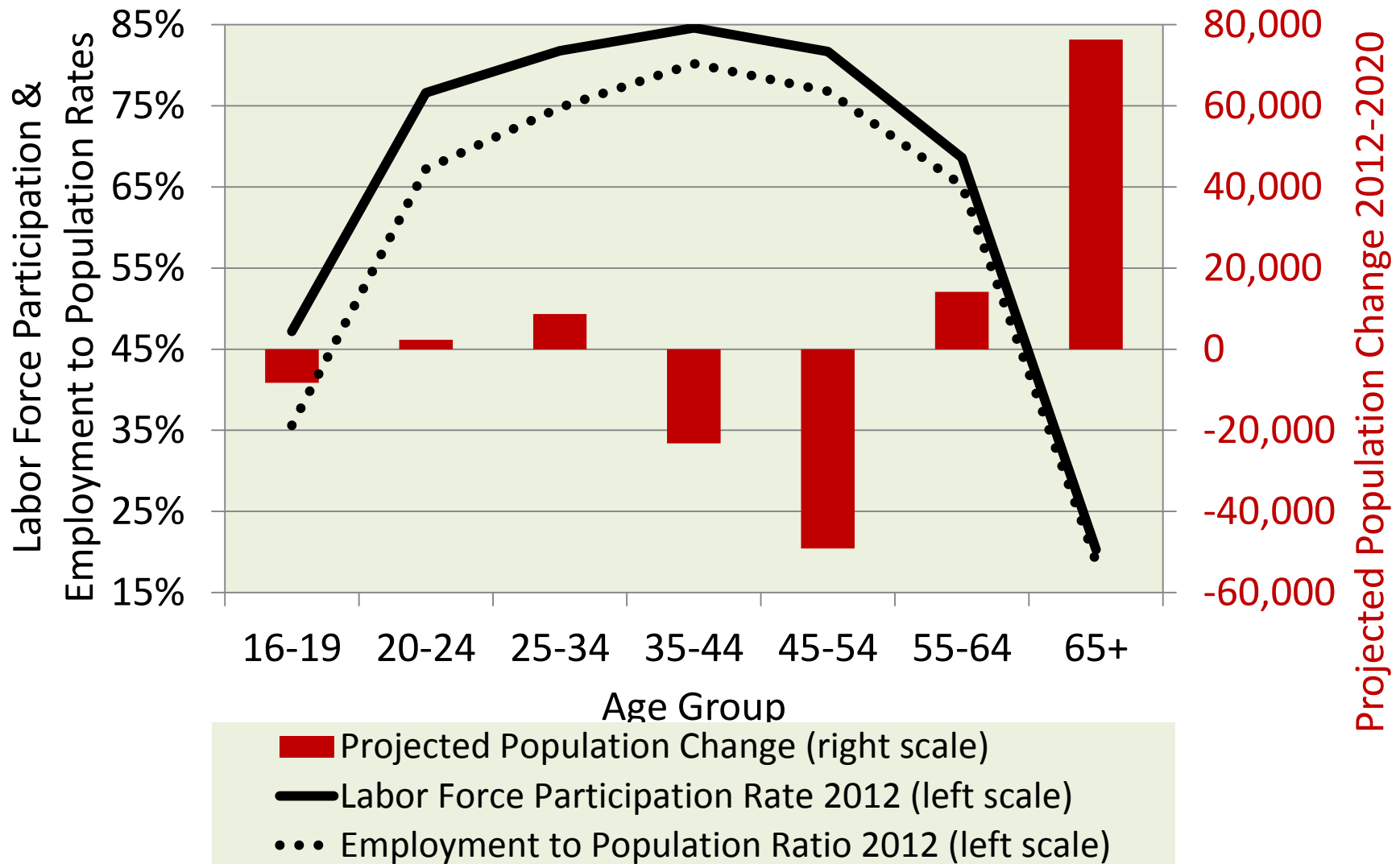
Based on our age structure and rates of labor force attachment among age groups, it will be difficult to meet the CEFC's April jobs forecast



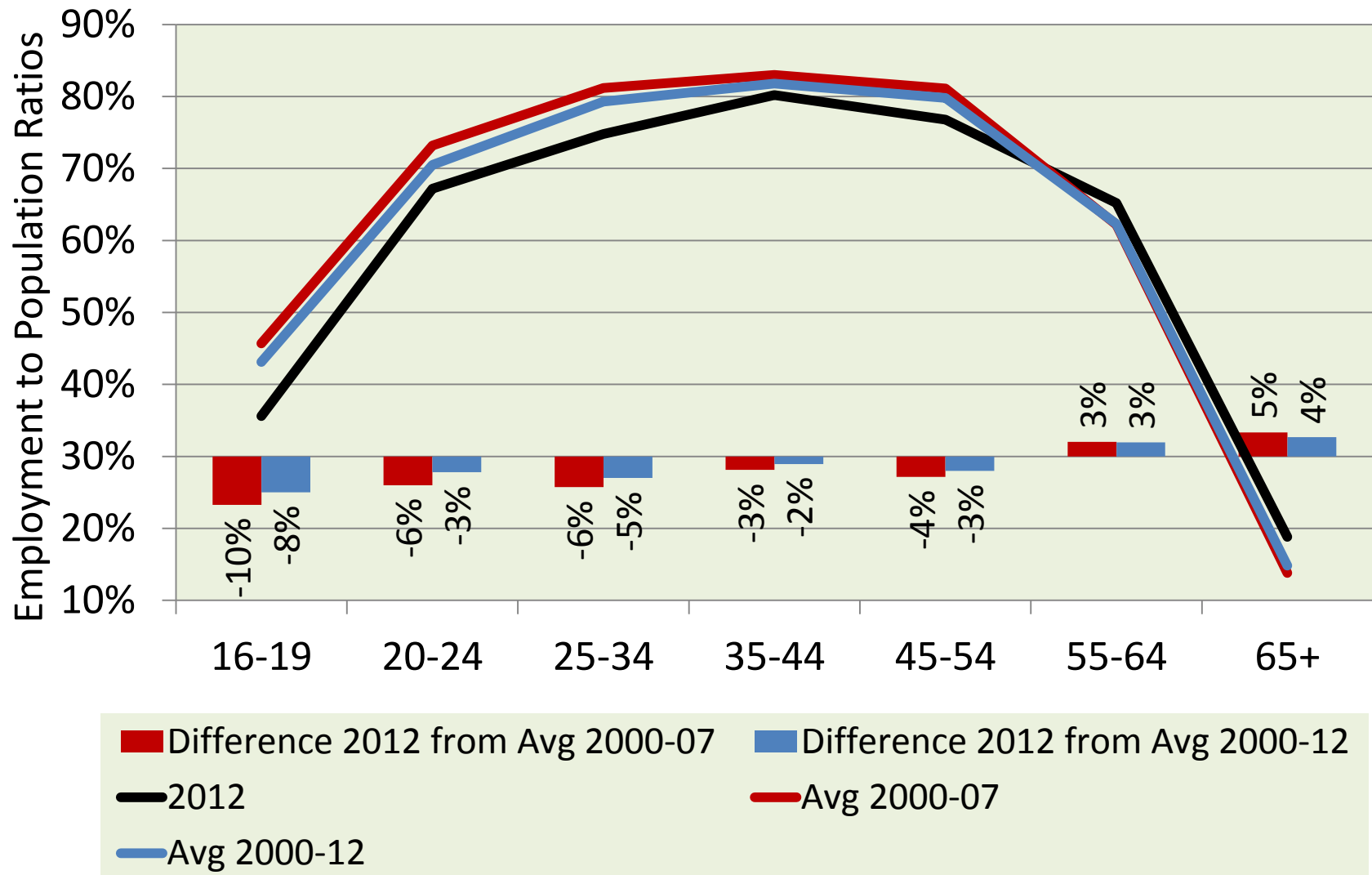
Appendix 1:

assumptions to
alternative forecast
based on employment
to population ratios
by age group

The population in their peak years of labor force participation and earnings is declining, limiting job and economic growth



Compared to before the recession, the share of employed population is up for those age 55+ and down for younger groups. The largest declines occurred among the youngest.



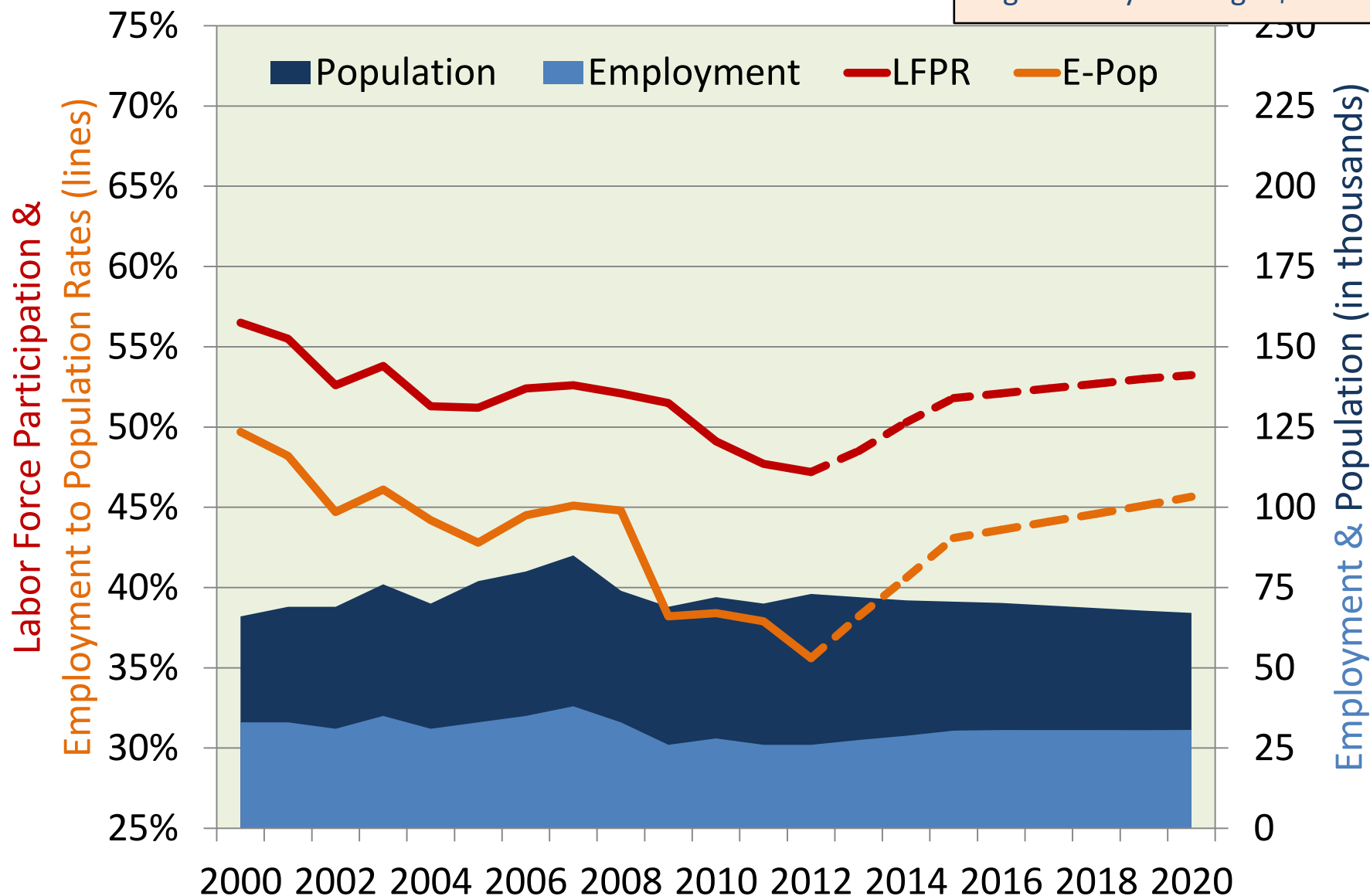
Based on recently published population projections, what would total employment be if the employment to population ratio for each age group recovered to:

- the 2000 to 2012 average by 2015?

- the 2000 to 2007 average by 2020?

Age 16 to 19

2012 Emp: 26,000
@avg E-Pop:
2015 **+2,000**; 2020 **+3,000**
Avg monthly earnings: \$541



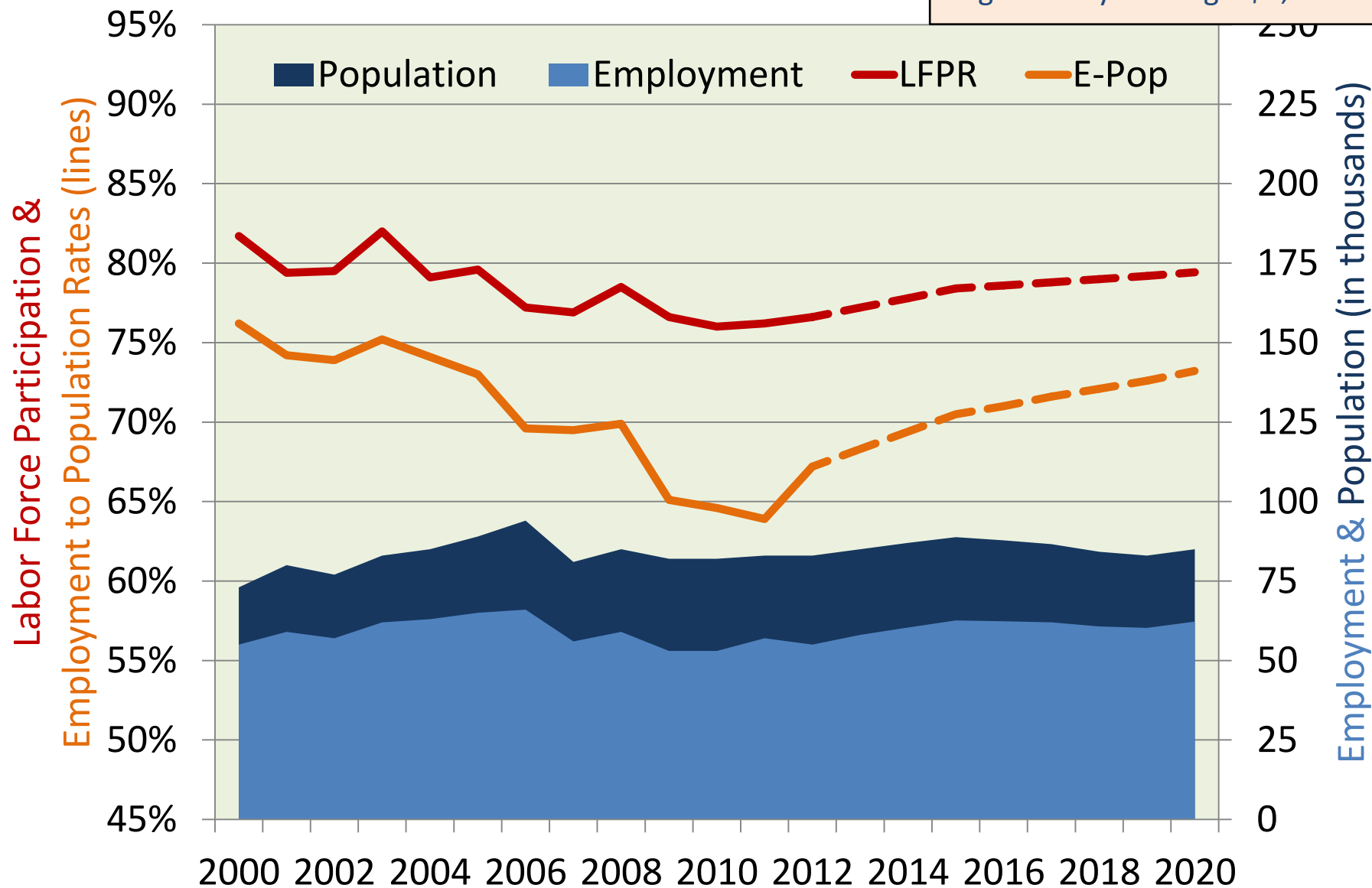
Age 20 to 24

2012 Emp: 55,000

@avg E-Pop:

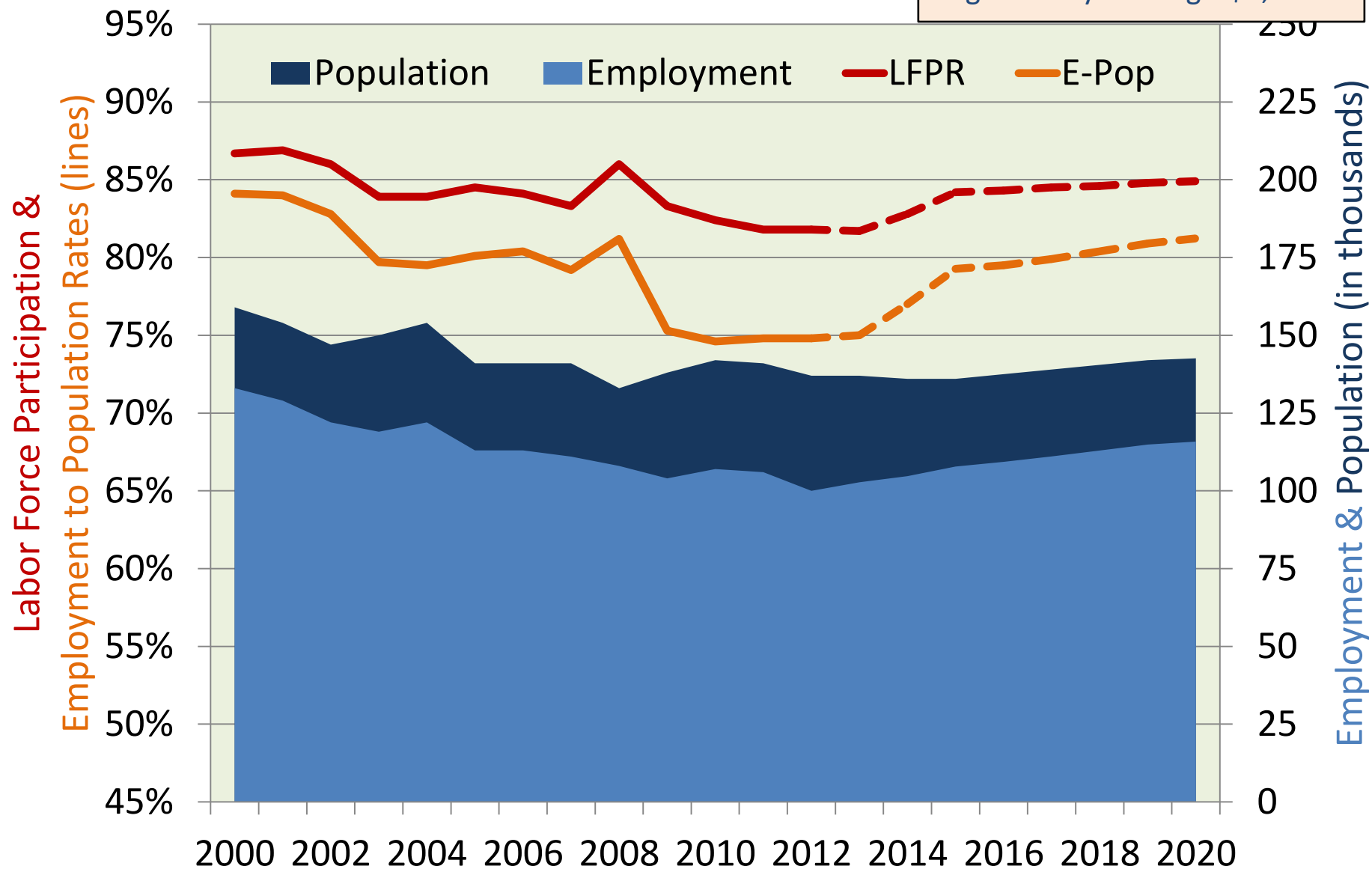
2015 **+8,000**; 2020 **+7,000**

Avg monthly earnings: \$1,553



Age 25 to 34

2012 Emp: 100,000
@avg E-Pop:
2015 **+8,000**; 2020 **+16,000**
Avg monthly earnings: \$2,675



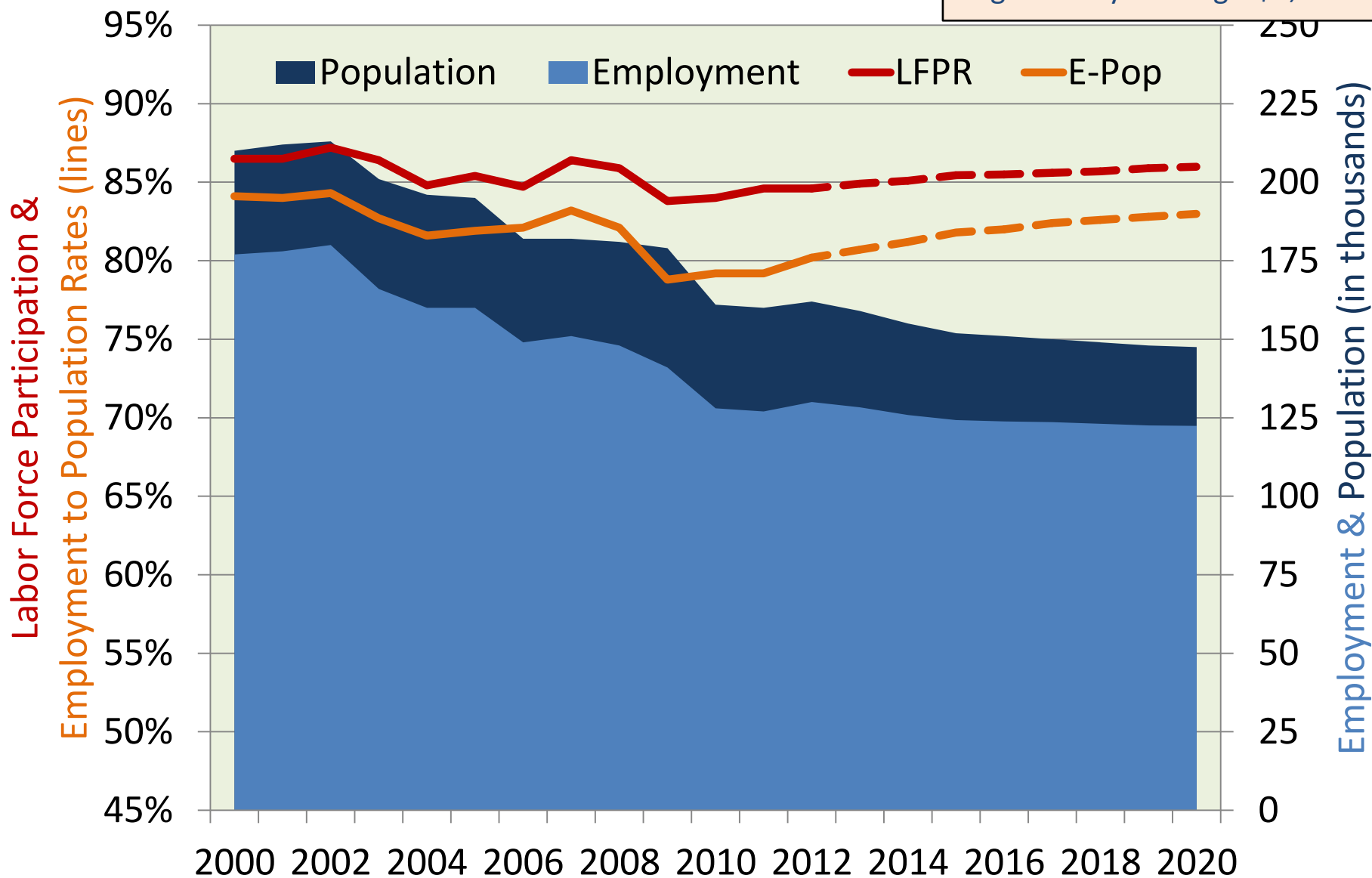
Age 35 to 44

2012 Emp: 130,000

@avg E-Pop:

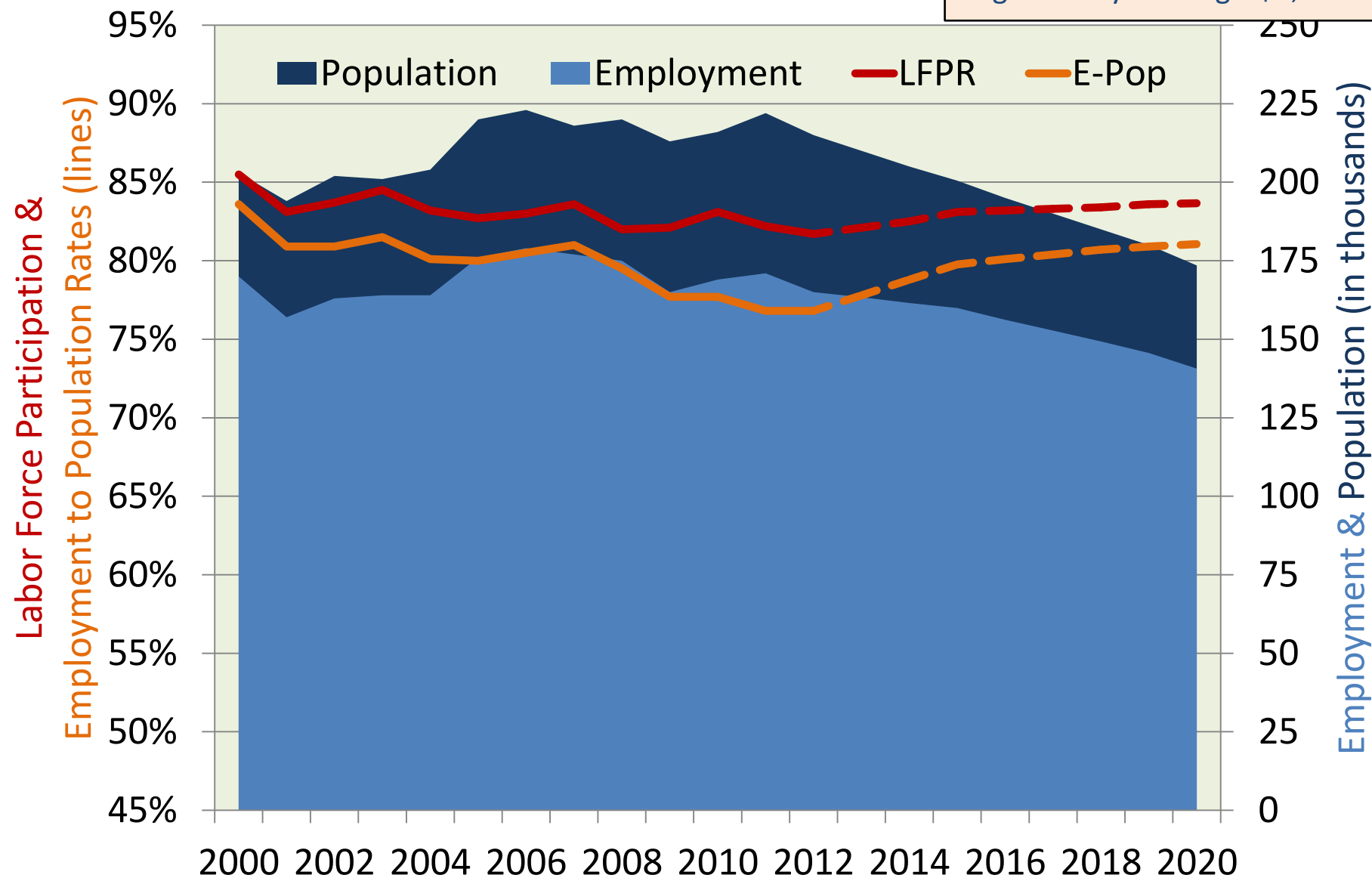
2015 **-6,000**; 2020 **-8,000**

Avg monthly earnings: \$3,614



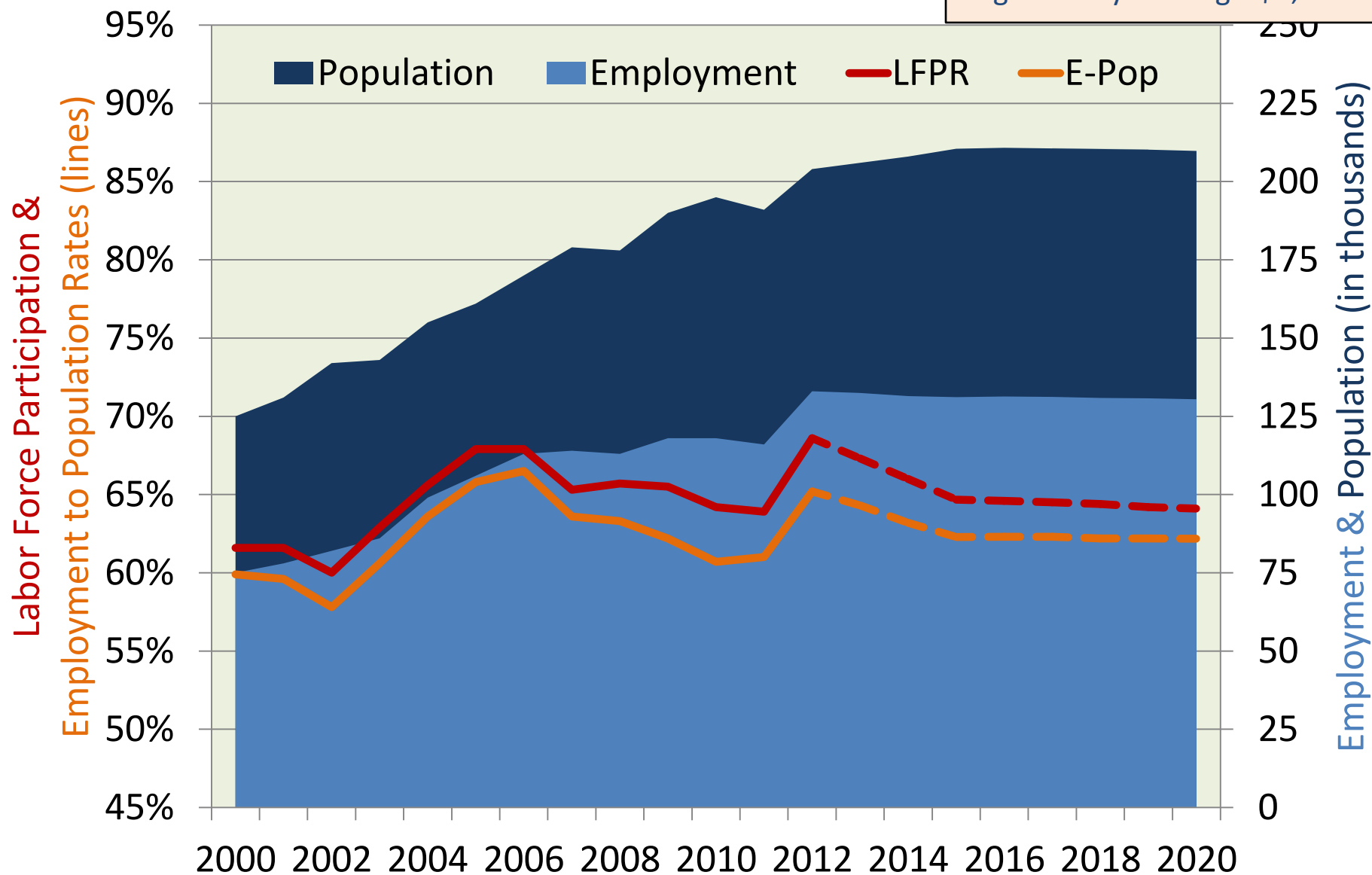
Age 45 to 54

2012 Emp: 165,000
@avg E-Pop:
2015 **-5,000**; 2020 **-24,000**
Avg monthly earnings: \$3,897



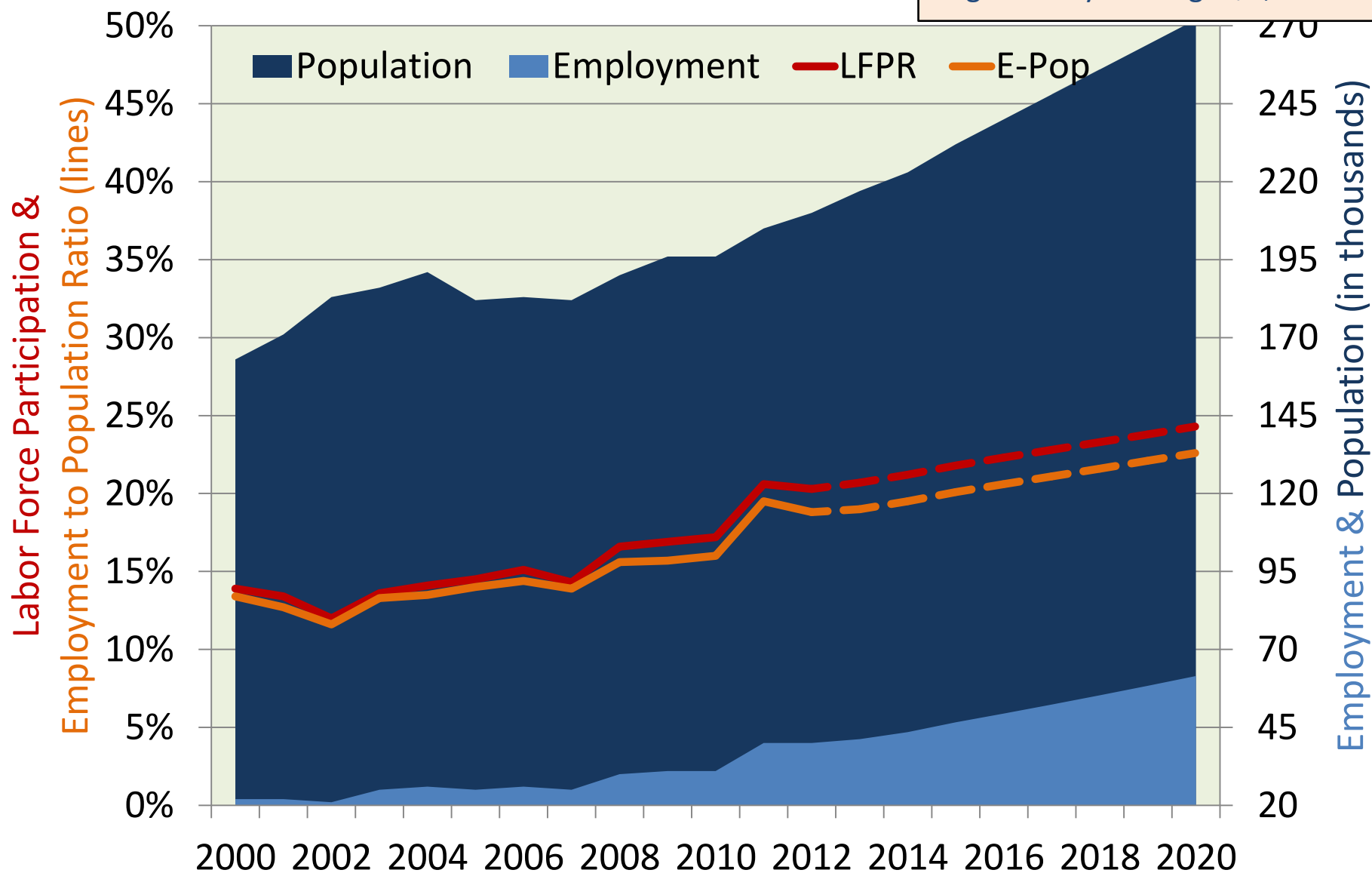
Age 55 to 64

2012 Emp: 133,000
@avg E-Pop:
2015 **-2,000**; 2020 **-3,000**
Avg monthly earnings: \$3,855



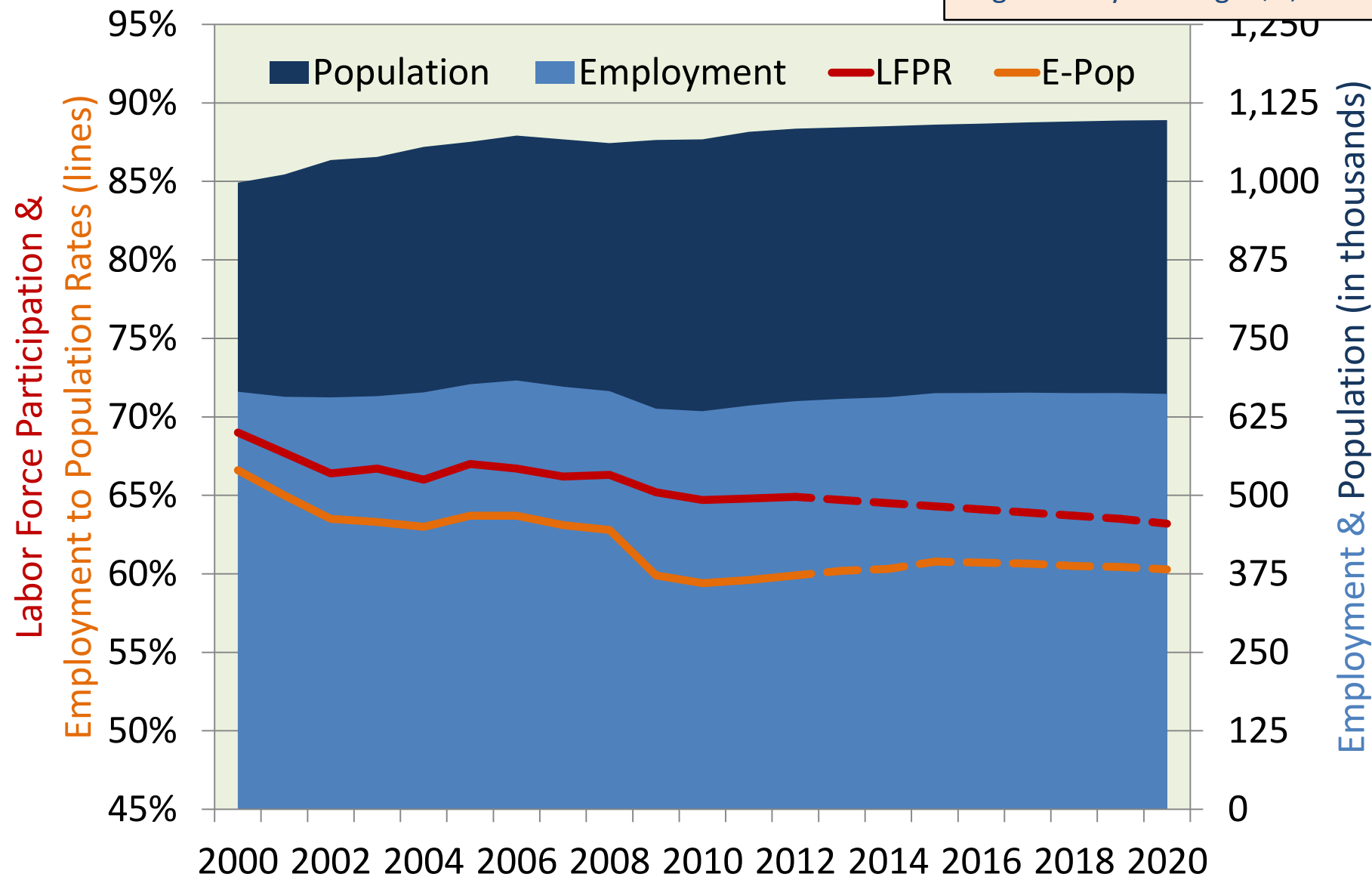
Age 65+

2012 Emp: 40,000
@ projected E-Pop:
2015 +7,000; 2020 +21,000
Avg monthly earnings: \$2,590



Age 16+

2012 Emp: 650,000
@avg E-Pop:
2015 **+12,000**; 2020 **+13,000**
Avg monthly earnings: \$3,256



Appendix 2:

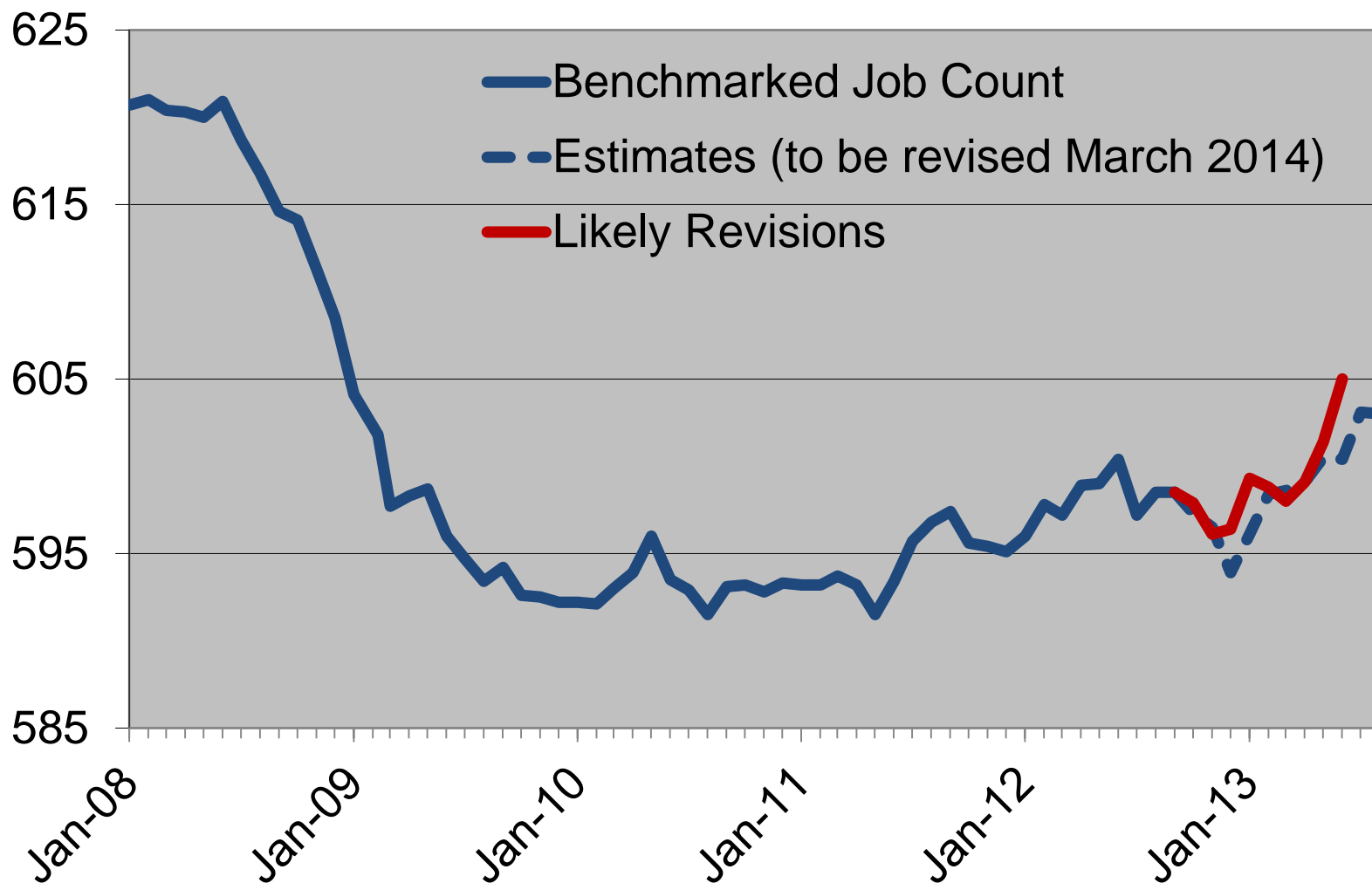
Recent trends in payroll jobs

Highlights:

- Growing sectors tend to be human capital intensive, often requiring specialized education, knowledge, or skills:
 - Healthcare & social services, professional & business services, and educational services.
 - Leisure & hospitality, which tends to be labor intensive, also is growing.
- Jobs in sectors that make, move, or sell physical products generally have stabilized, but there is no significant growth:
 - Manufacturing, construction, wholesale & retail trade, and transportation, warehousing & utilities.
- All three levels of government continue to shed jobs.
- The experience of those displaced from labor intensive work generally does not match the education and skill requirements of growing sectors.

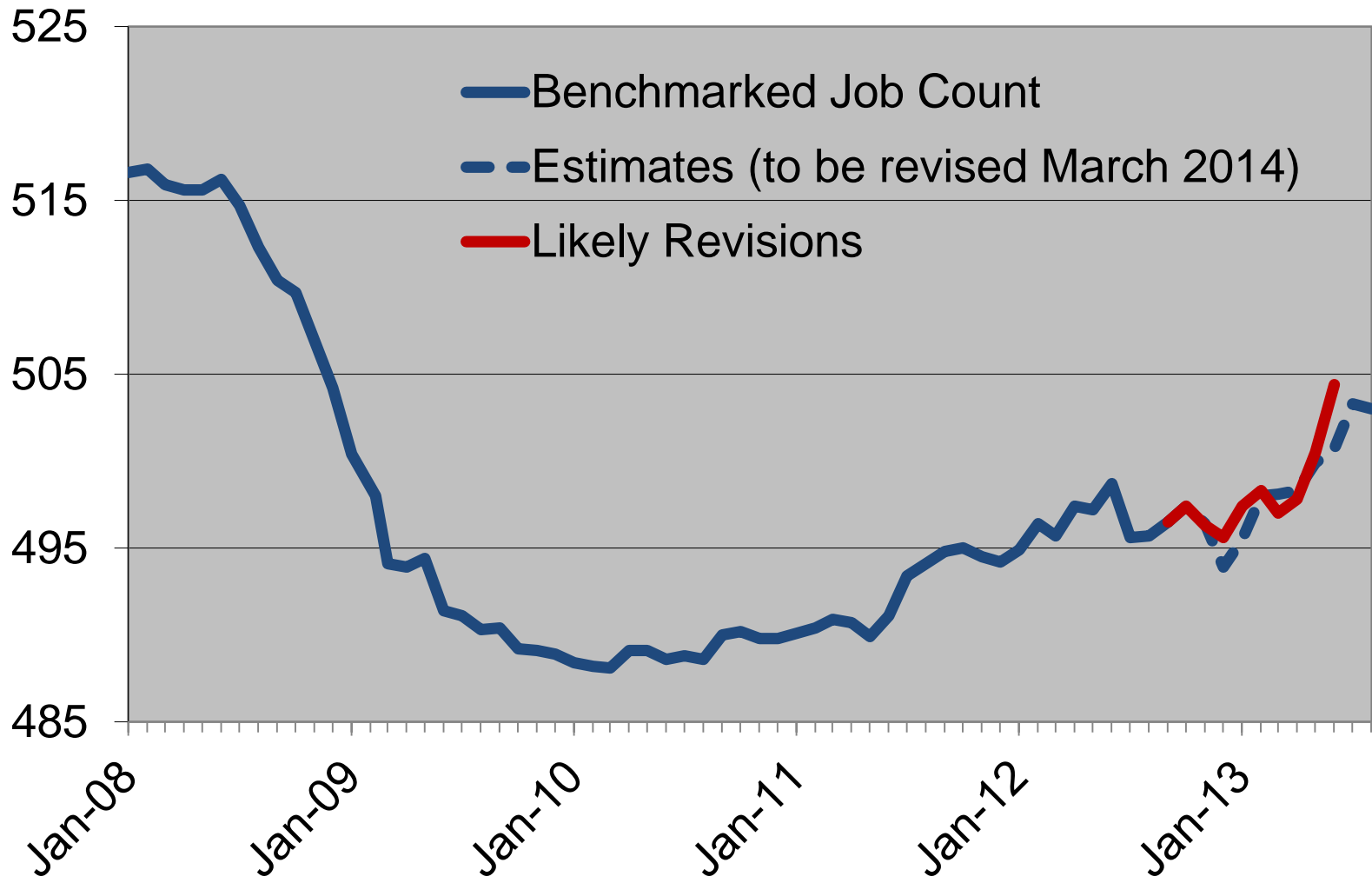
Total Nonfarm Jobs

(seasonally adjusted in thousands)



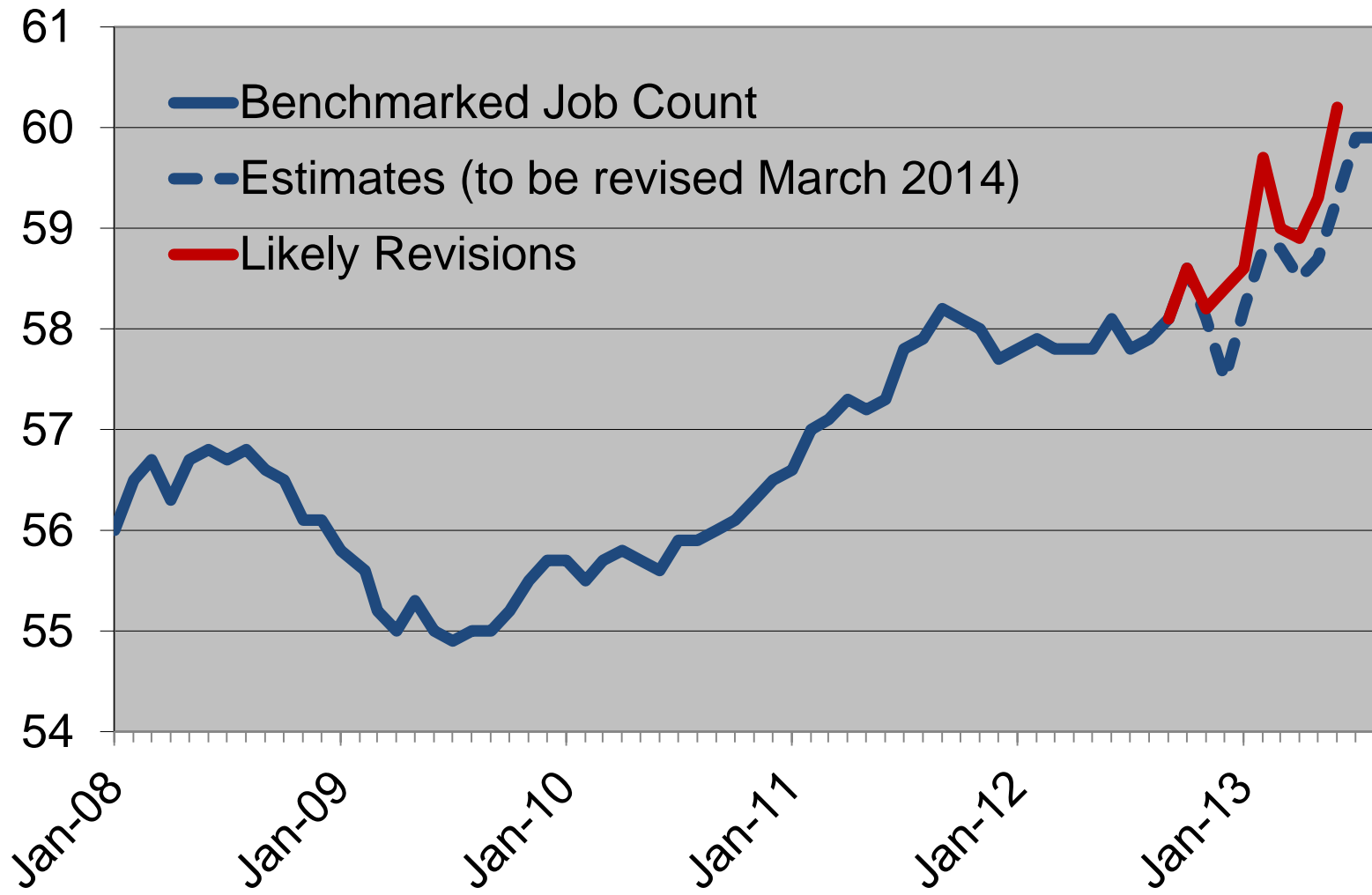
Total Private Jobs

(seasonally adjusted in thousands)



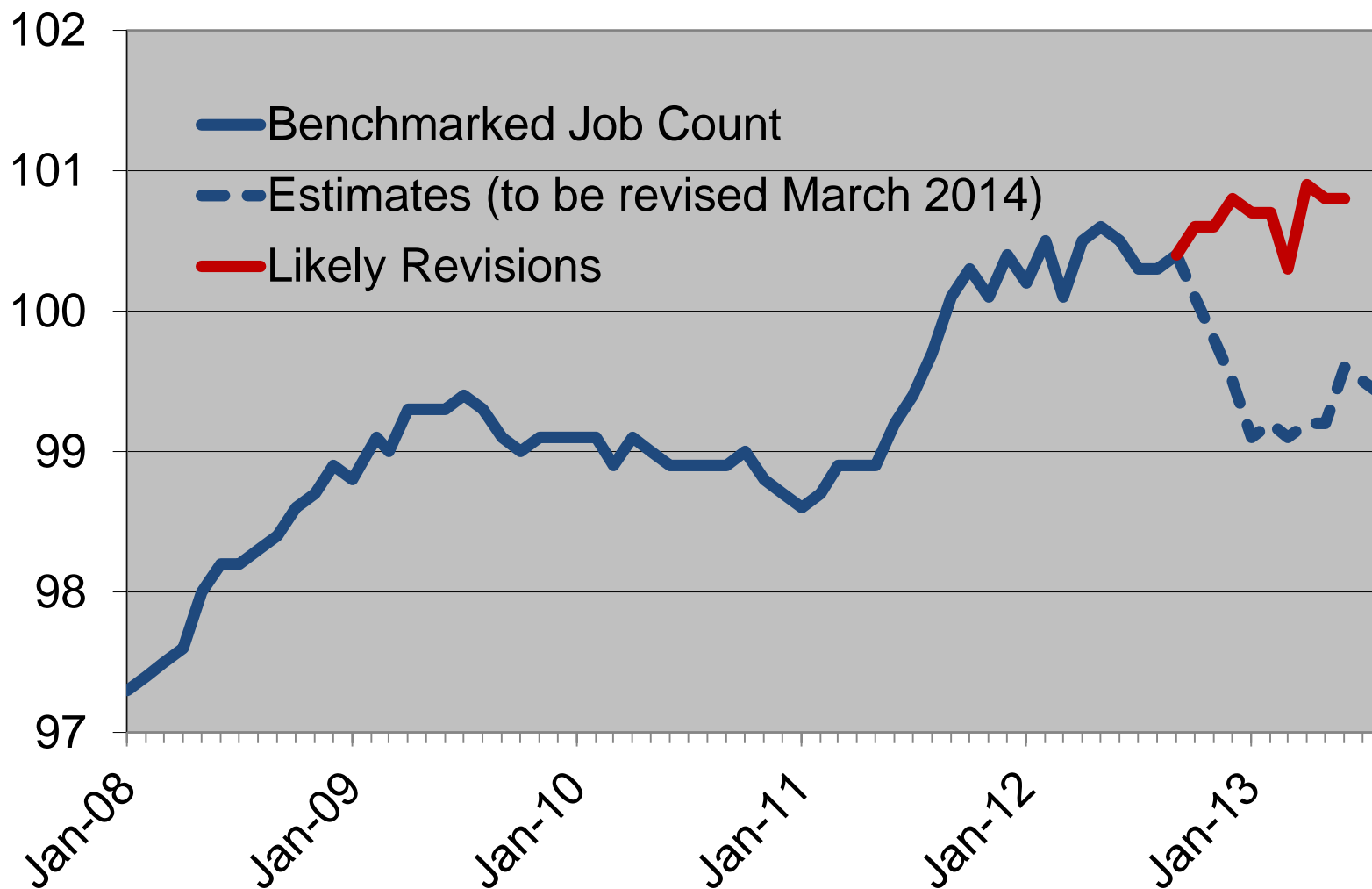
Professional & Business Services Jobs

(seasonally adjusted in thousands)



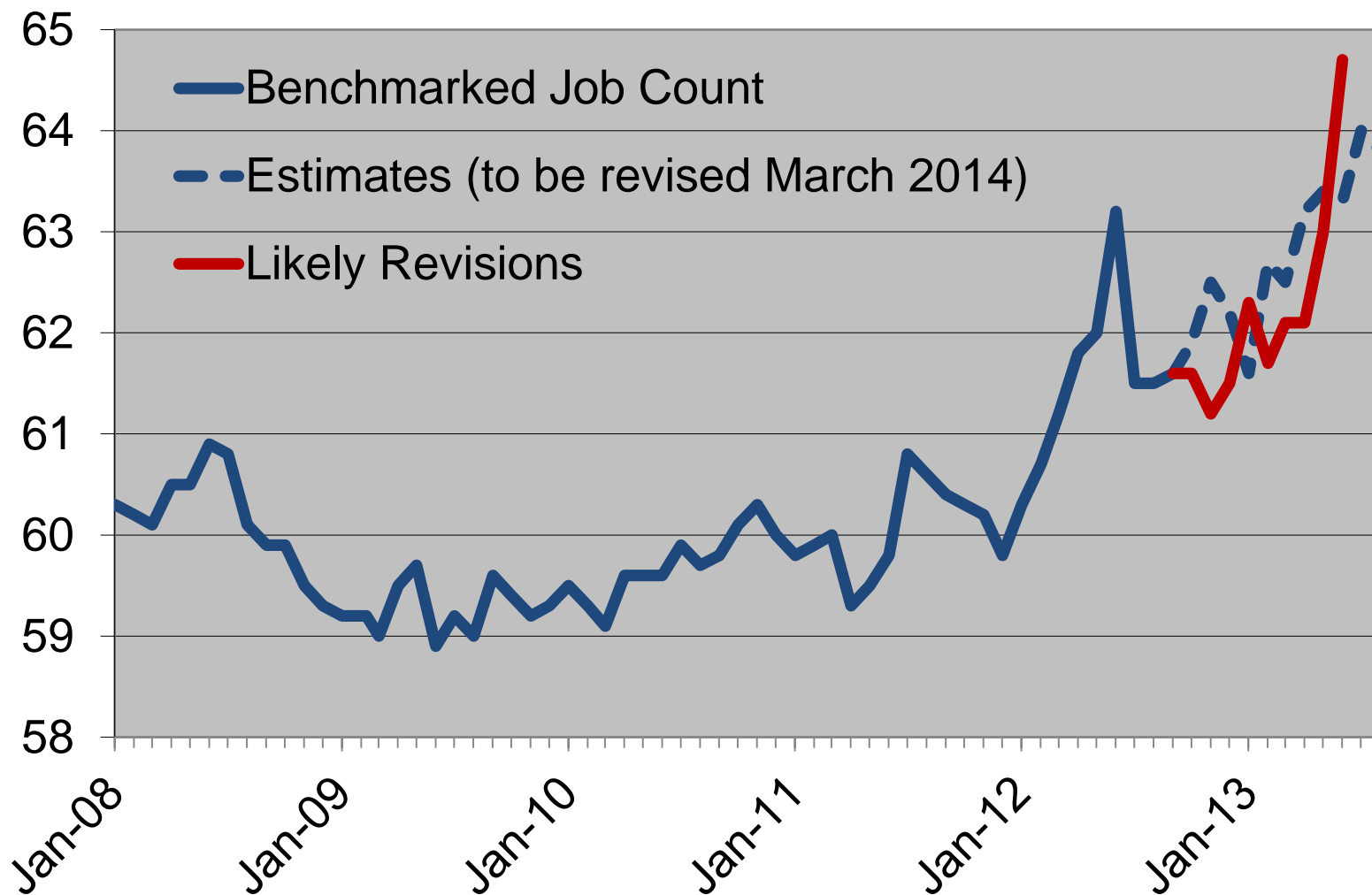
Healthcare & Social Assistance Jobs

(seasonally adjusted in thousands)



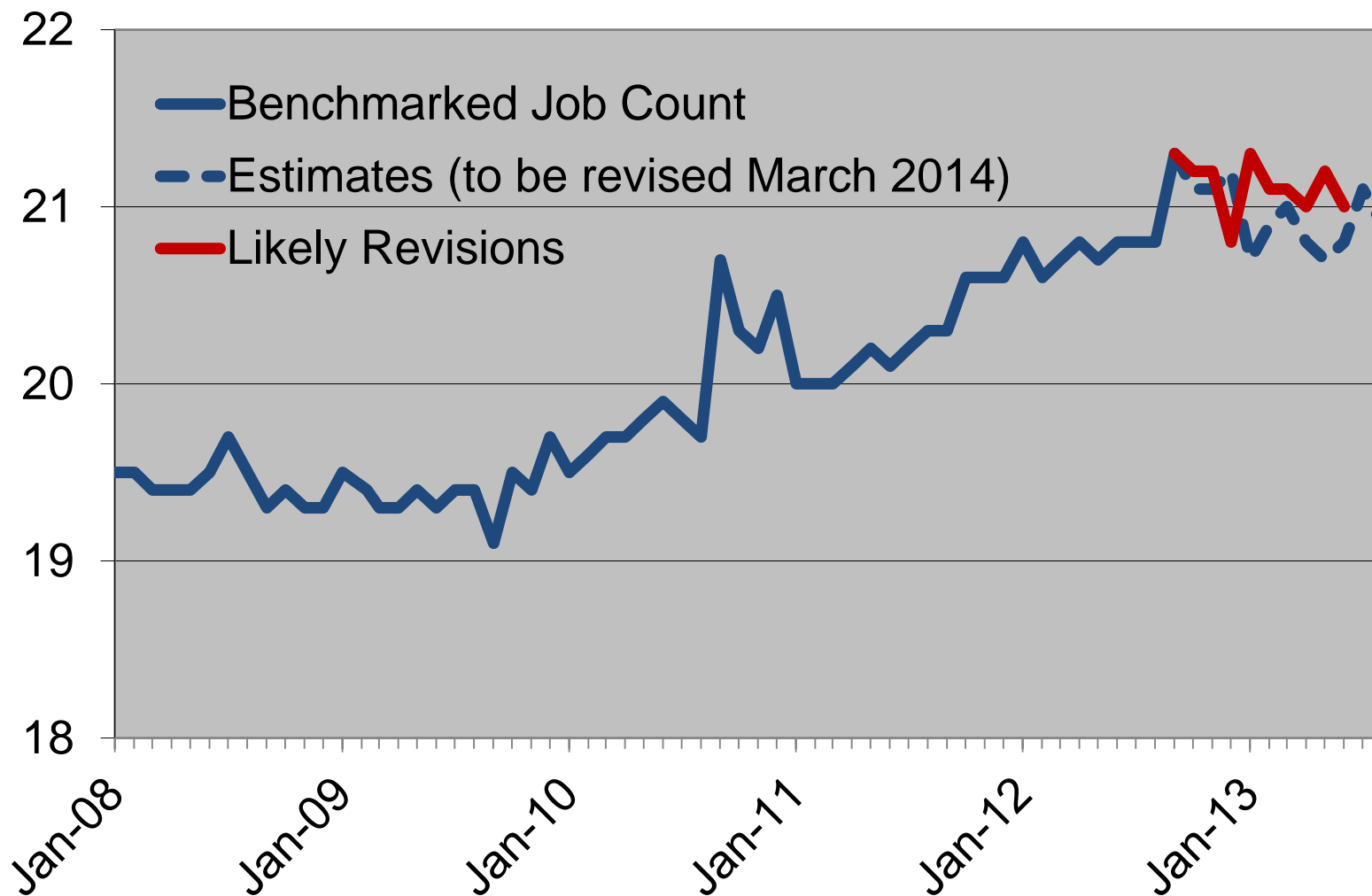
Leisure & Hospitality Jobs

(seasonally adjusted in thousands)



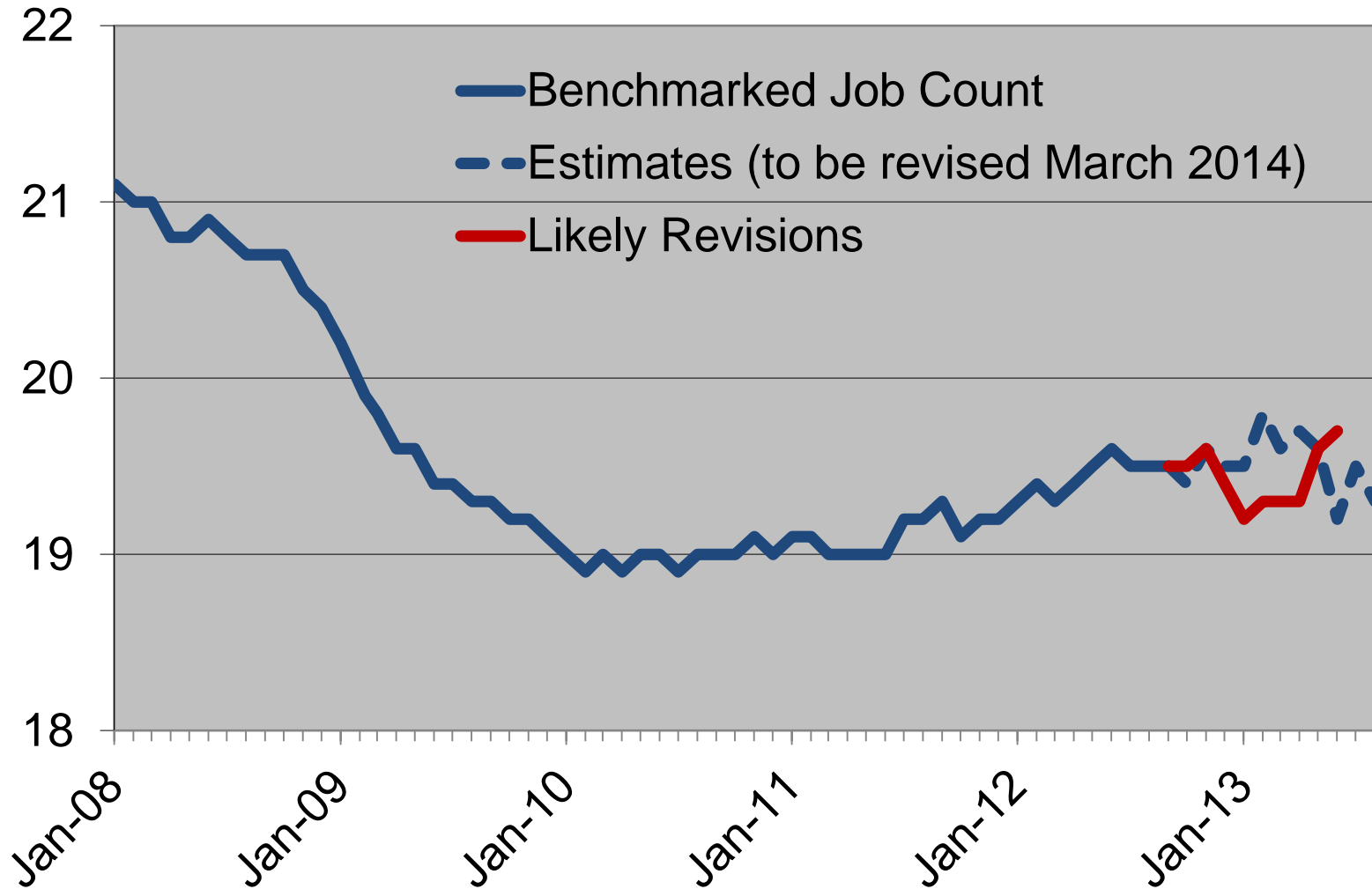
Educational Services Jobs

(seasonally adjusted in thousands)



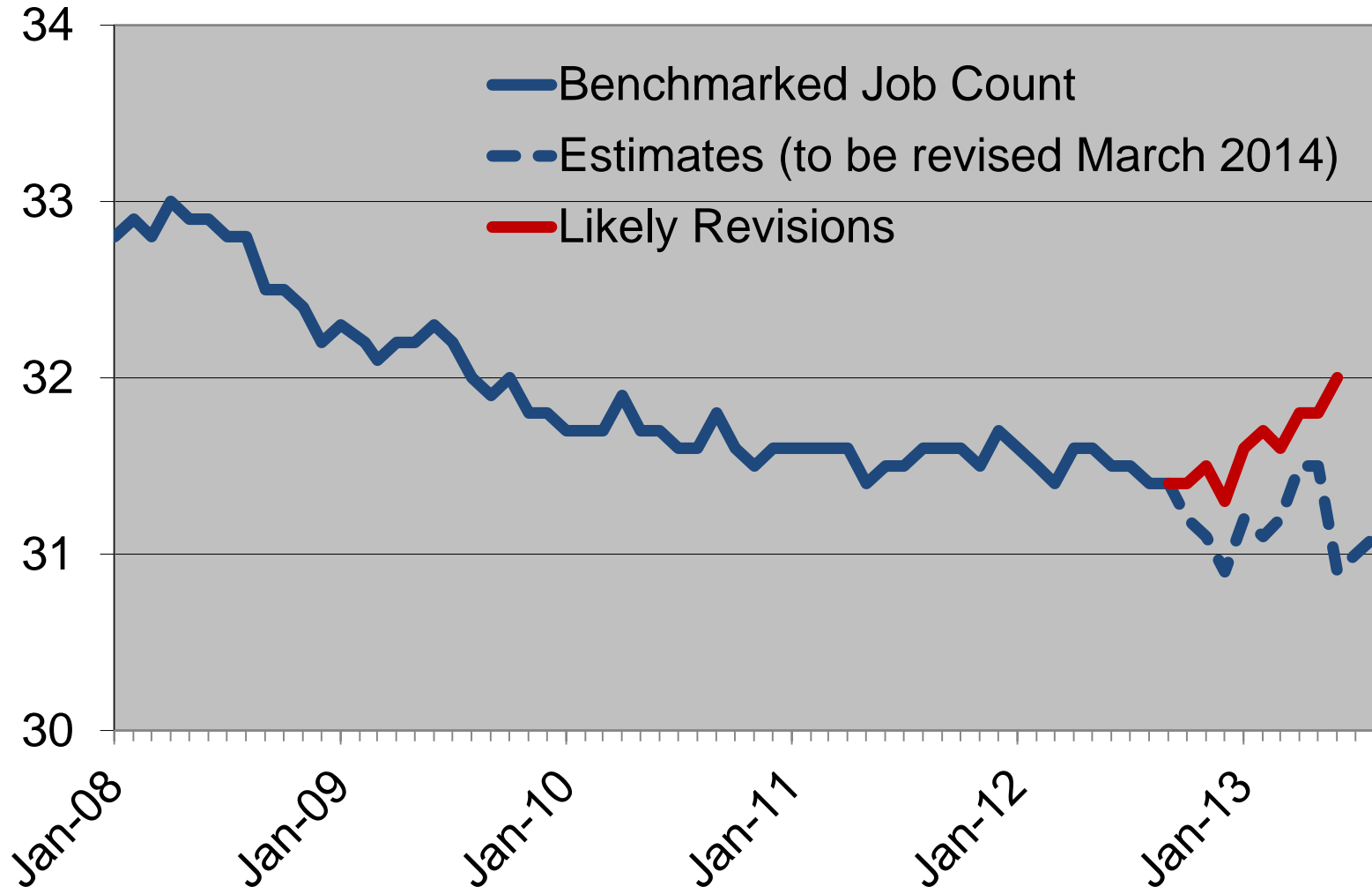
Wholesale Trade Jobs

(seasonally adjusted in thousands)



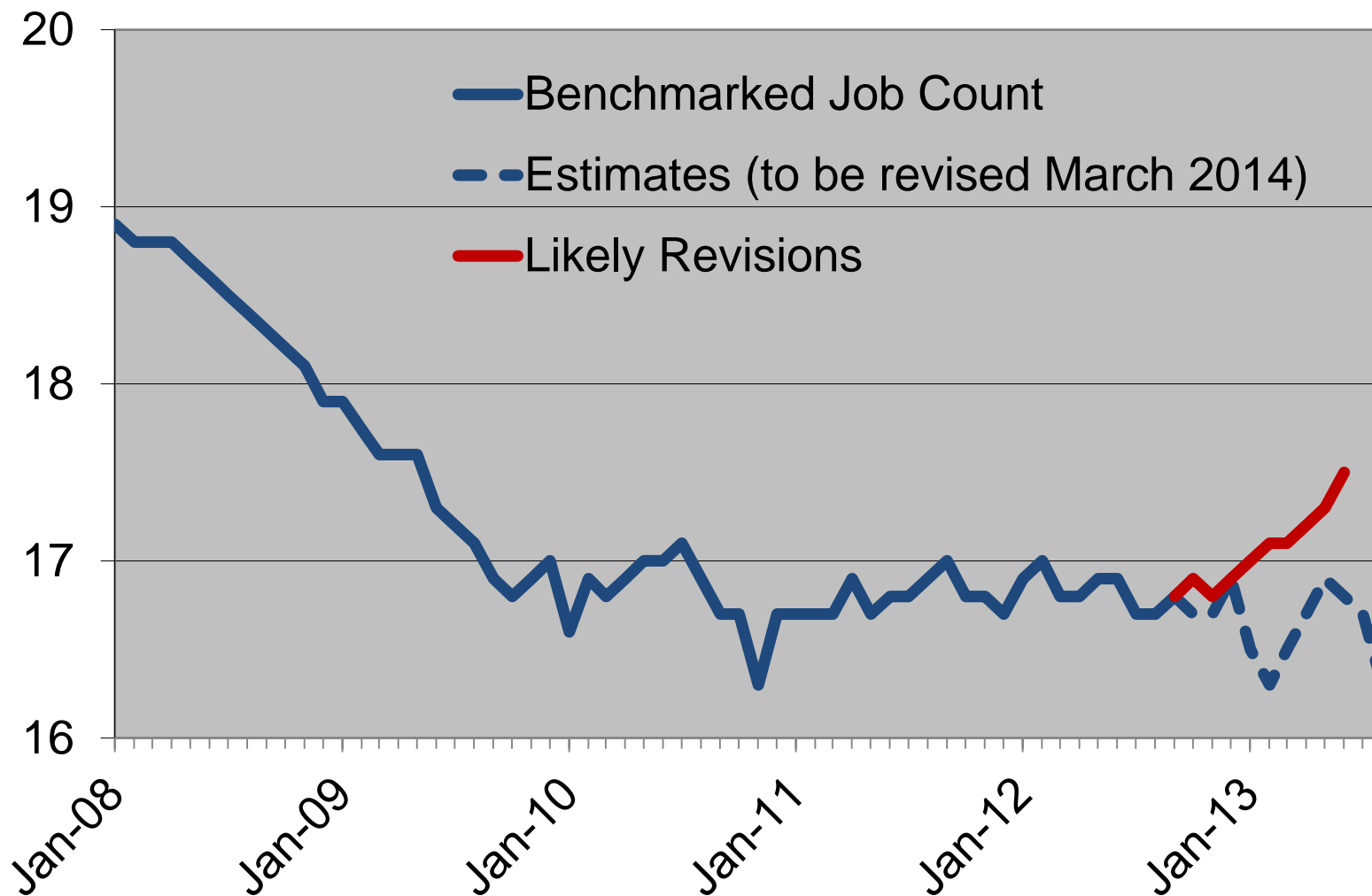
Financial Activities Jobs

(seasonally adjusted in thousands)



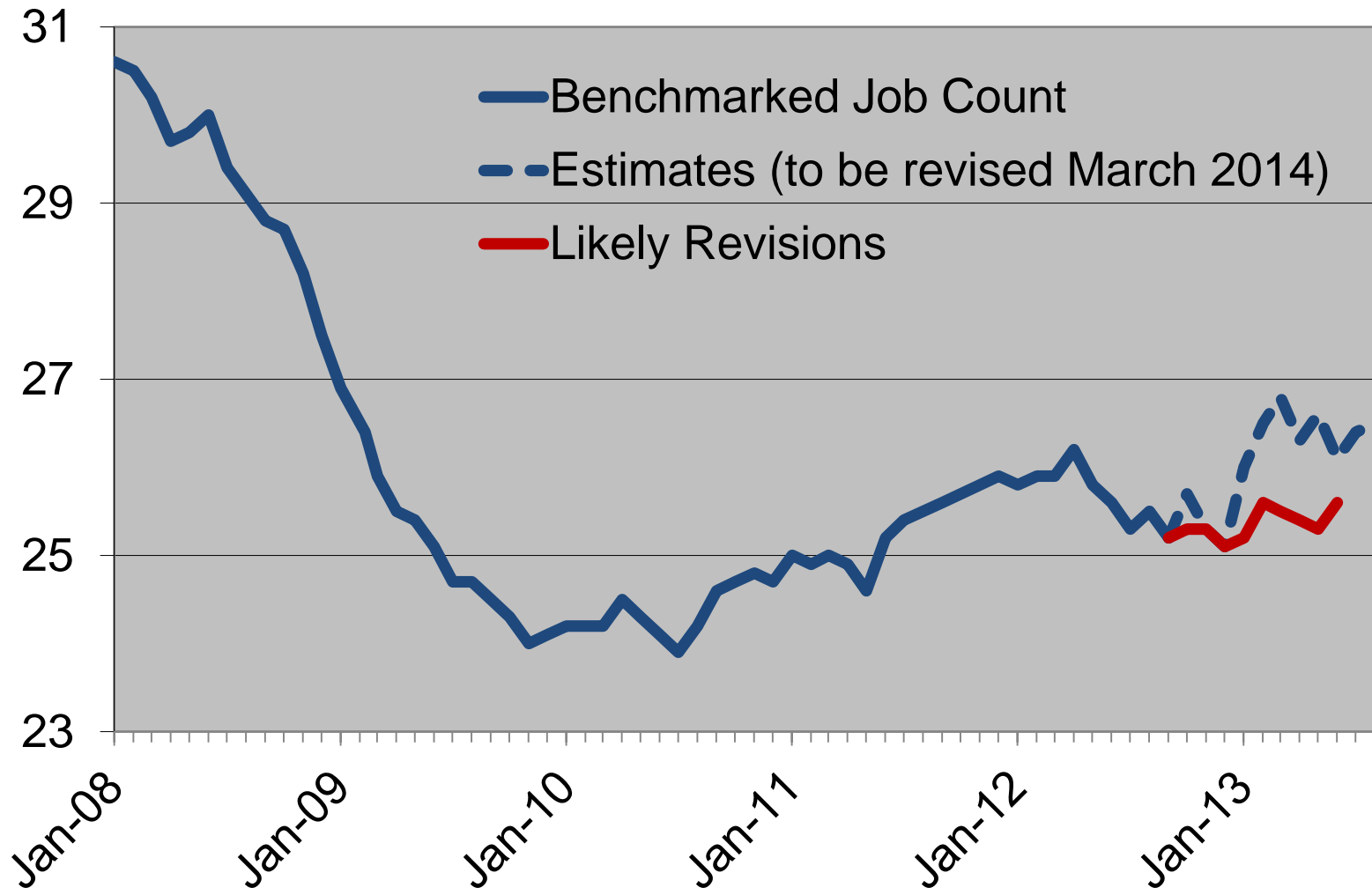
Transportation, Warehousing & Utilities Jobs

(seasonally adjusted in thousands)



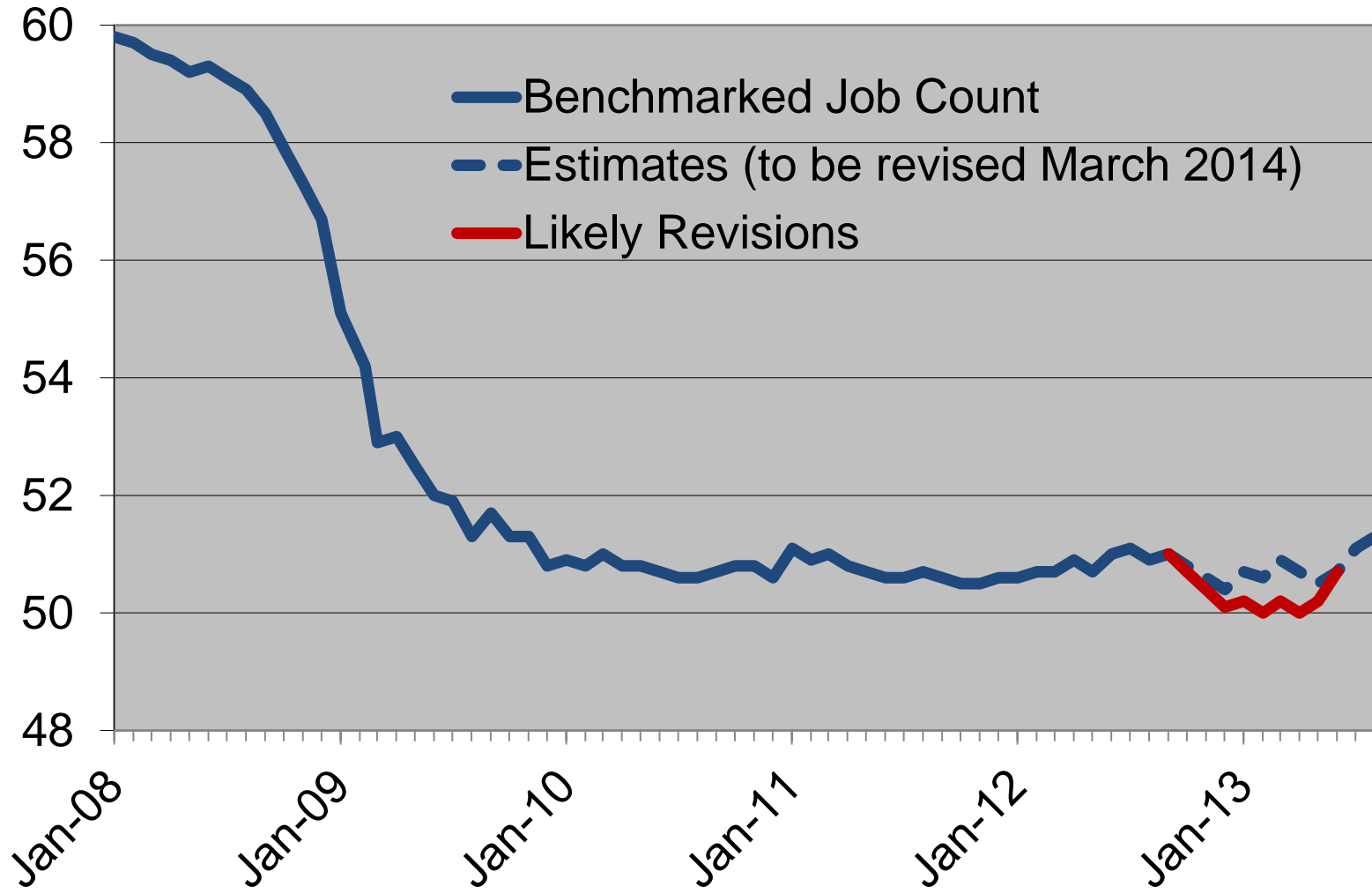
Construction Jobs

(seasonally adjusted in thousands)



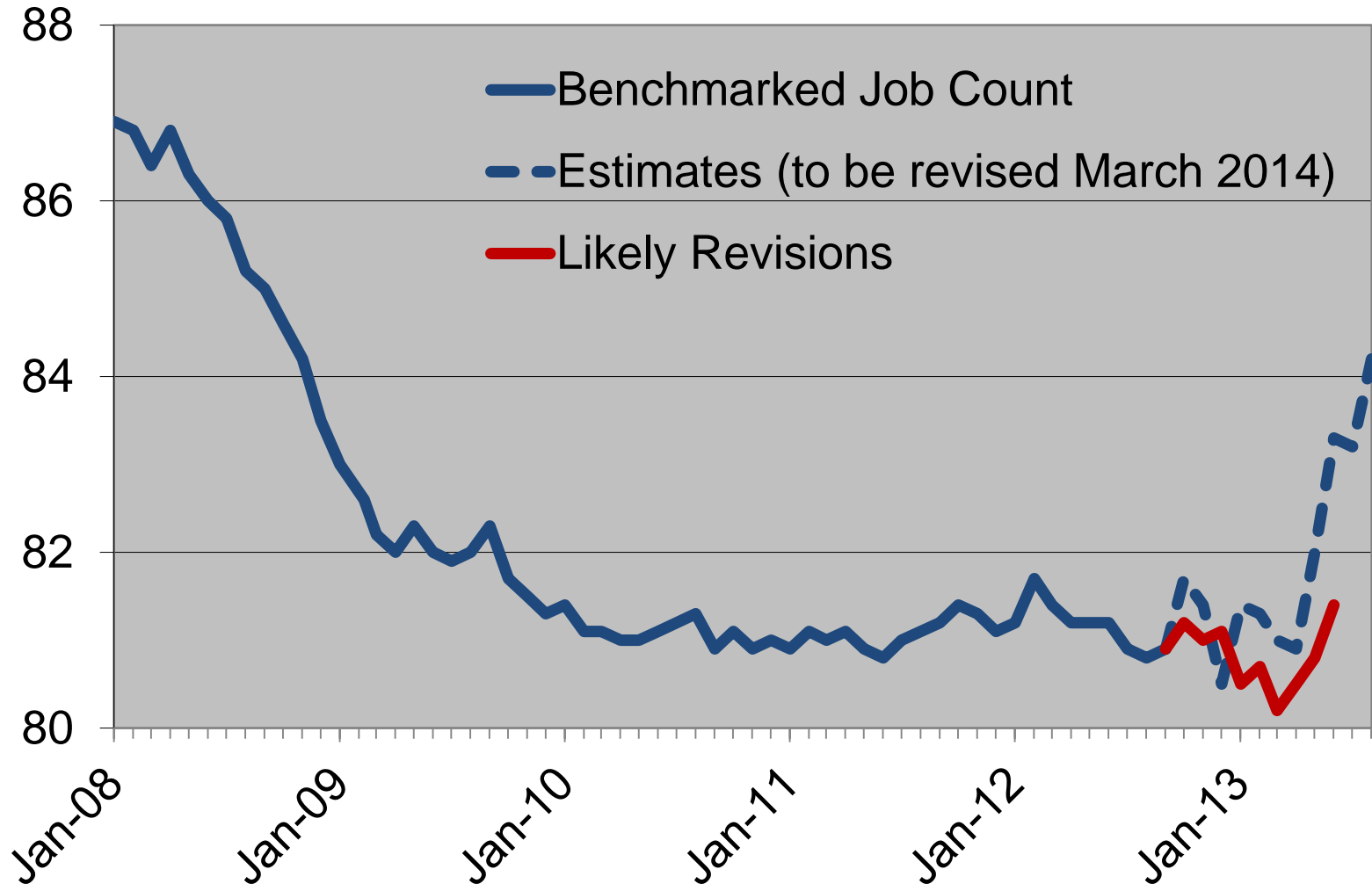
Manufacturing Jobs

(seasonally adjusted in thousands)



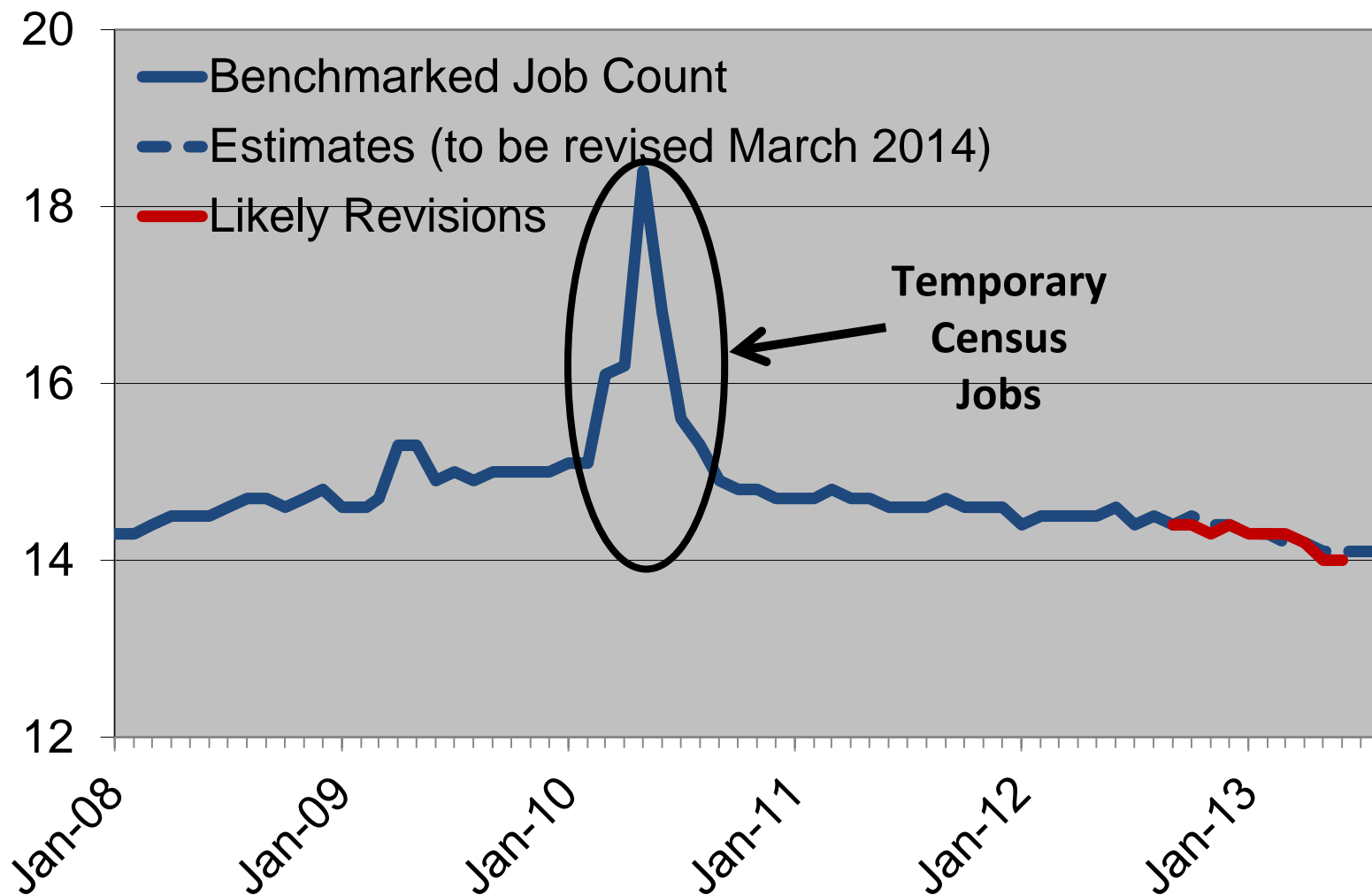
Retail Trade Jobs

(seasonally adjusted in thousands)



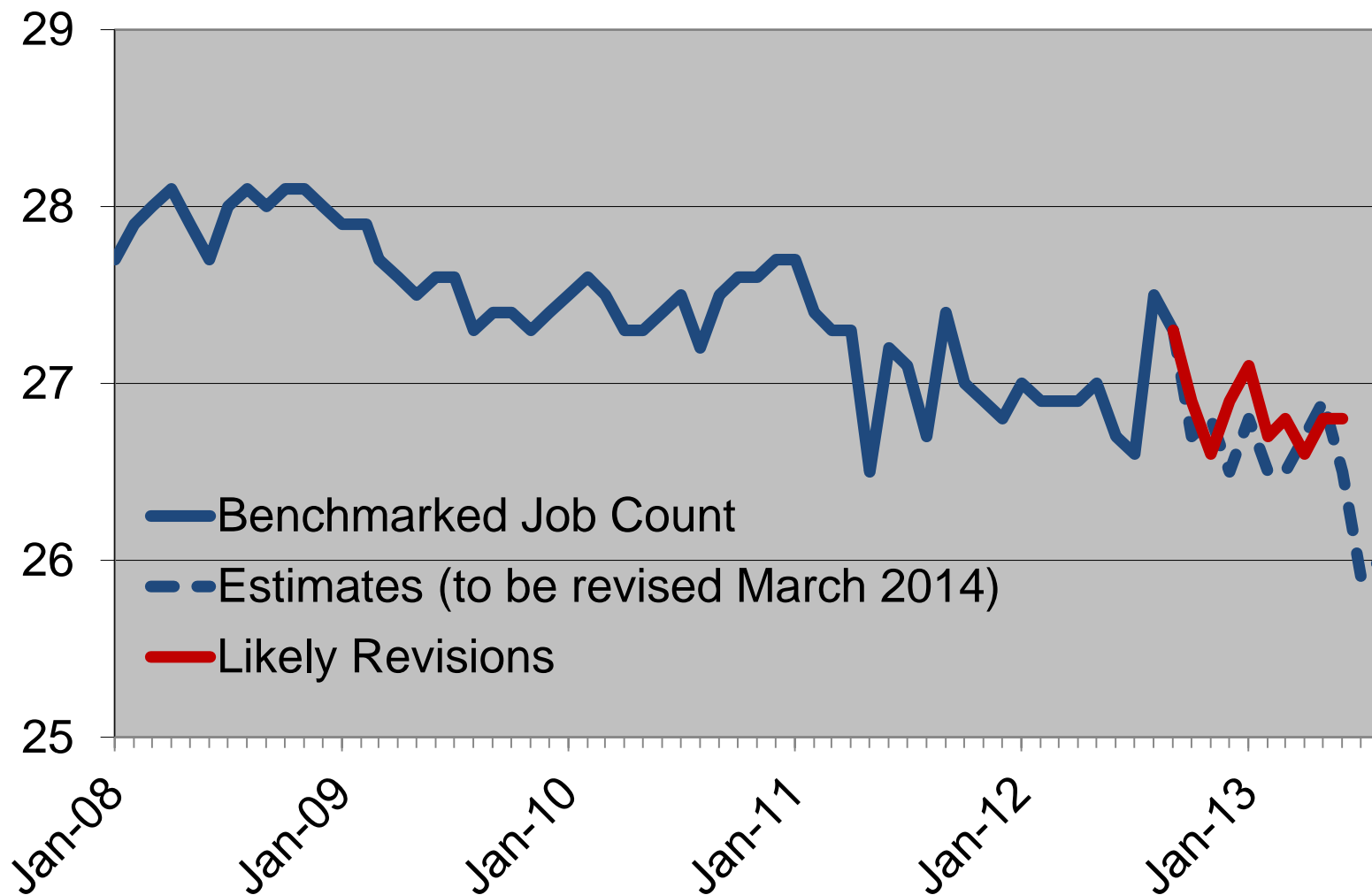
Federal Government Jobs

(seasonally adjusted in thousands)



State Government Jobs

(seasonally adjusted in thousands)



Local Government Jobs

(seasonally adjusted in thousands)

